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EDITORIAL

As We See It

This is a troubled era in which we live. It is also a period of vain and sometimes foolish dreams of different if not better conditions in which to live. These dreams are often vain because they demand the impossible, or at all events, they ask for things which can not be had on the terms and conditions under which they are demanded. They are sometimes foolish because they are wholly inconsistent with the realities of life. This ferment exists not only in far-off places where people still live in ignorance, poverty and disease—as so many are so fond of saying about the millions, even the hundreds of millions, of people whose unrest and rebelliousness are causing international complications and even threatening international disaster. They are found also in the sophisticated populations of Europe where not infrequently the disease of communistic notions has taken hold, and they are found in one form or another in our own midst where socialistic precepts—usually not recognized as such—have also infected many men's minds.

India, as is well known, is in a ferment—and apparently not accomplishing a great deal to improve the conditions which are supposed to cause the fermentation. Vast areas such as China and Russia have surrendered themselves to groups or cliques which claim to be able to right the situation more effectively and more promptly than could the individuals of these nations operating under any system of free enterprise. The Middle East and parts of Africa as well as some of the Latin American countries — all of which are trouble spots—have been much in the headlines of late. No inconsiderable part of the discontent

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Sources of Instability In Our Economy

By DR. E. SHERMAN ADAMS*
Deputy Manager, American Bankers Association

Practicing what he preaches, bankers group's economist demonstrates his informed familiarity with what he believes are our economic objectives, causes of and measures to prevent undue economic instability in suggesting teachers embark upon a continuing, all-out crusade to improve public's knowledge of economics. Dr. Adams relates economic literacy to economic stability, and warns that if we fumble badly the problem of economic instability we then may invite the "commissars" to take over—in Russian style. The author does not doubt that we can avoid inflation and achieve reasonably stable economic growth, but questions whether we are well enough informed to support measures to achieve these objectives.

Millions of Americans, including most teachers, are less well off today than they were a year ago. Over the past year living costs have risen to a record peak, whereas industrial production and employment have declined. By latest count almost five and a half million men and women in this country are now out of work.


Dr. E. S. Adams

So the problem of economic instability is very much with us today, as it has been for generations past and will be for generations to come—provided, that is, that we do not fumble it so badly that the commissars take over and handle it for us, Russian-style.

This proviso is by no means fantastic. A strong economy is today essential to our national security. If our economic strength were to be sapped either by inflation or by a severe depression, the safety of the

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*An address by Dr. Adams before Joint Council on Economic Education, The National Science Teachers Assn., and the National Council for Social Studies at Sarah Lawrence College, Bronxville, N. Y., Aug. 7, 1958.

Recession in Perspective

By DR. MELCHIOR PALYI
Chicago, Ill.

Distortions in the economy and inconsistencies in economic policies are probed by Dr. Palyi in reviewing our cyclical growth and prospects for recovery. He points out, for example, that: (1) We ran short of capital to maintain our "reckless pace of industrial aggrandizement at rising costs"; (2) almost at once confidence was shaken in the future value of the U. S. dollar; (3) European central banks worry about our huge deficit in times of reasonable peaceful conditions; and (4) our fiscal and monetary chiefs face dilemmatic problem of ending unemployment and preventing an incipient run on the dollar. Praises Treasury head's recent gold-price declaration for slowing glow outflow down to a trickle, but fears outflow may resume when price inflation resumes.

In 1929, gross national product (so-called) amounted to $104.4 billion. In the first quarter of this year, it ran at an annual rate of $426 billion.


Dr. Melchior Palyi

Of course, the dollar is not what it used to be. In purchasing power, it is worth less than 50 cents. And the population has grown in 30 years by about 52 million souls, or 40%. That still leaves us in this "recession" with a per capita output, in stable dollars, almost 60% higher than in 1929—the year of history's biggest boom up to that time.

Take any other dollar signpost of activity, such as increases in the money supply, liquid savings, debts, adjust them to the rate of the money's depreciation and of population growth — you will find that currently we are "progressing" as well as we did in the same period of 1929, if not better.

A similar picture, more or less, obtains by comparing physical quantities. When the steel industry operates at an

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Mohawk Rubber Co.—Morton A. Cayne, Syndicate and Buying Dept., J. N. Russell & Co., Inc., Cleveland, Ohio. (Page 2.)

Black, Sivalls & Bryson—Charles T. Greene, Research Director, Amos Treat & Co., Inc., New York City. (Page 2.)

MORTON A. CAYNE

Syndicate and Buying Dept.
J. N. Russell & Co., Inc.
Cleveland, Ohio
Members: New York Stock Exchange
Assoc. Member: American Stock Exch.
Member: Midwest Stock Exchange

Mohawk Rubber Company

Perhaps a few readers of this column will recall that last fall I presented the stock of The Mohawk Rubber Company of Akron, Ohio. Among other things I stated, ". . . Mohawk Rubber presents an opportunity to participate in a fast growing company having exceptional management. . . . There is every indication that the tire replacement business will continue to flourish for some time to come and since this stock presents such an attractive value (over-the-counter market around $18\frac{1}{2}$ to $19\frac{1}{2}$) I view it as The Security I Like Best."

Morton A. Cayne

My opinion and views have not changed although the current market for the stock is in the mid 30s.

In the six-month period ending June 30, Mohawk had sales of $10,830,000 this year compared to $9,485,000 in 1957. Net profit for the first half of this year was $426,000 as against $187,000 last year or $2.71 vs $1.19, the $1.19 being adjusted to 157,129 shares now outstanding.

For the full year ending Dec. 31, 1957, Mohawk earned $3.90 on the then outstanding 144,533 shares.

In May of this year, Mohawk obtained a 15 year insurance loan of $2½ million of which approximately $1 million was added to working capital and the balance used to pay all other long-term debt.

Mohawk's dividend policy is "Based on earnings; consistent, of course, with sound business practice." In 1957 the company paid $1.00 per share with 2% stock dividend at year end. Two 25 cent dividends have been paid thus far in 1958 and it is very likely that this dividend will either be increased and/or supplemented with stock at the close of this year.

Two Mohawk plants located in Akron, Ohio and West Helena, Ark., produce both tires and tread rubber while the newest plant located at Stockton, Calif. produces only tread rubber, the product used in retreading or recapping tires. About 40% of total income is from this product, generally used where low budgets prohibit the more expensive replacement tire. Snow and mud recaps have become increasingly popular for passenger vehicles during winter months and the recapping of truck tires has been successful for many years, reducing replacement costs for operators.

Field men work very closely with tire recapping customers and Mohawk has built a national reputation in the trade. Dealers handling Mohawk's products have increased in number (43% in 1957 over 1956) because of the intense interest and cooperation provided them at the Mohawk plants or through the sales or research departments.

It has been reported that there were about 51½ million passenger cars and about 10 million trucks registered in the U. S. as of July, 1957. This number undoubtedly has little change when considering the new cars sold this year, less the number dispatched to the junk heap, yet all of the approximate 61 million vehicles in use today are equipped with tires produced by only 11 manufacturers. In this vast market, Mohawk concerns itself with only replacement business, however the company fully anticipates having original equipment on a major auto company's products within the very near future.

The future of Mohawk is very bright and the business of this company should continue to grow for many years. With 1958 sales projected to around $24 million and probable earnings very close to $6.00 per share, the price/earnings ratio today is about 5½.

Yes, the common stock of The Mohawk Rubber Company continues to be The Security I Like Best.

CHARLES T. GREENE

Research Director
Amos Treat & Co., Inc., New York City

Black, Sivalls & Bryson

You have asked me for a brief presentation of "the security I like best" for publication in the *Financial Chronicle*. Having observed its behavior in the market for the past year or so, I am convinced that Black, Sivalls & Bryson is a logical choice. My reasons are outlined as follows:

Charles T. Greene

The industries served by Black, Sivalls & Bryson are *basic* and essential to our economy. These industries are also *growth* industries and their long-range outlook continues favorable.

What are the industries served?

Petroleum and Natural Gas

Demand for natural gas seems almost insatiable with a doubling in demand during 1958 since 1954. 1958 forecasts indicate drilling of 52,134 oil wells in the United States, only 3% under the 1957 figure.

The oil and gas industries constitute the largest markets for Black, Sivalls & Bryson products, and despite the prospect of a reduced drilling program, the level of activity is expected to remain high when compared with activity levels prior to 1954. Thanks to a vigorous research policy, the company is now able to blanket the entire oilfield with a packaged system (automation), allowing a producer to sit in his office in a far distant location, and automatically to operate oil and gas producing fields through remote control. Information on daily production runs and other pertinent data can be automatically transmitted to his office where it is fed into standard computing machines for analysis.

Black, Sivalls & Bryson enjoys a substantial overseas market for its oil country products, and current restrictions on crude oil imports into this country have forced curtailed producing rates in both Canada and Venezuela. The Canadian outlook is for the drilling of 2,700 wells in 1958, down 7% from 1957 and Venezuela producers are expected to drill 1,500, with a decline of 19%.

The Power Industry

According to the President of the company, the power industry seems slated to continue its rapid growth pattern. Capital spending is expected to be down in the *refining industry*, but not less than its present productive capacity. In 1958, the *chemical and allied industries*, despite some slackening in the rate of expansion, are expected to have a good year.

Farming

A realistic appraisal of the agricultural outlook for 1958 appears to indicate that our farmers will continue to receive supports, and that the demand for *steel storage* will be favorable.

Automobile and Appliance Sales

While automobile and appliance sales are expected to fall below the 1957 level, they will bulk large when compared with the average of the past few years, and the company's management expects a fairly satisfactory year in these departments.

Longer Range Prospect More Promising and More Certain

Crude oil reserves in the United States topped 33 billion barrels for the first time last year, and gas reserves expanded to 248 trillion cubic feet. Consumption of oil in the world is expected to rise 50% during the next decade. The vast untapped reserves of Canada and Venezuela, and promising new developments in other export markets indicate a continuing growth pattern for Black, Sivalls & Bryson sales.

Emphasis on cost reduction should serve to further the demand for the company's new products which are contributing to an almost complete "automation" in the petroleum industry.

Other industries served—power, chemical, automotive, appliance, aircraft, agricultural, L-P gas — *all are industries basic to the economy of the nation. The company's new line of pre-fabricated metal buildings* is expected to open up new markets for the company in general industry and commerce.

The years ahead, in the opinion of the president, should be rewarding!

Record Sales Reported in 1957

Sales volume last year reached a new high level at $47,441,871, topping the previous year's total by 3.6%. All but 2% of this record volume, which constituted government contracts, was consigned to the company's varied commercial and industrial outlets. Of the 1956 total volume, 9% represented government contracts.

Income before taxes totaled $3,637,771 versus $4,960,979 in 1956. After preferred dividend, the net balance for the common stock was equivalent to $3.16 last year versus $4.53 in 1956. The 27% decrease in net income for 1957 is attributed primarily to the introduction, paradoxical as it may seem, of technological advancement in the industries

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Breaching All-Time High in Dow-Jones Industrial Average

By LESTER WYETZNER
Stock Market Analyst
Bache & Co., New York City

Bache & Co. analyst explores possible forthcoming 480-490 corrective decline in D-J industrial average. Study employs such criteria as changes in D-J index, volume of transactions, quality of leadership and average closing price of most active stocks. Reviews non-technical dampening factors, and concludes another attempt to breach 521.05 all-time high of 1956 requires rebuilding base of accumulation somewhat below current levels.

Several warning signals have been given by the technical action of the stock market during the past three weeks, foreshadowing what may develop into a corrective decline of three to four per cent in the Dow-Jones Industrial Average. On July 31st a "classic" one-day reversal pattern was witnessed, as the market moved sharply higher on a late tape during the middle of the session and then lost all previous gains, again on a late tape, just before trading ended. In the past, such performance provided a clue to a change in the intermediate trend. Several days after this signal, the market made its first attempt to break through the 512-520 area of the Dow-Jones Industrial Average, a zone which contains the final band of resistance just below the all-time high of 521.05. In all, four efforts were made to penetrate this supply barrier and each was turned back, indicating that a good deal of selling pressure exists at that level.

Lester Wyetzner

The failure of the list to overcome the resistance has created considerable caution on the part of both investors and traders. This was clearly evident on Aug. 11th, when the Dow-Jones Industrial index hit a new 1958 closing high of 512.42 while at the same time the volume of transactions dipped below the three million level for the first time in twenty-one sessions. Not only was market enthusiasm dampened, but the quality of leadership deteriorated almost immediately. This is clearly illustrated by a comparison of the average closing price of the ten most active stocks each day for the week ending Aug. 14th. On Friday, Aug. 8th, this figure was 30.16. During the next four trading days this index fluctuated as follows: Monday, 25.31; Tuesday, 27.12; Wednesday, 19.42; and Thursday, 15.50. Certainly the market cannot be expected to launch another drive against the overhead resistance force unless better grade equities again come to the forefront.

Non-Technical Dampening Factors

The primary non-technical developments which are preventing further upward progress at this time are the Federal Reserve Board's moves to stem inflationary tendencies. The influence exerted by a combination of higher margin requirements and an increase in the discount rate of the Federal Reserve Bank of San Francisco has not only halted the sharp upward drive of stock prices which began on July 15th, but it is more than likely to usher in a period of market correction and consolidation.

As to the extent of a decline at this point, indications suggest that it will not be anywhere as severe as that witnessed just a year ago. In fact, support is likely to form in the 480-490 area. In preparation for the most recent upsurge, the market had built a strong base of consolidation between 480 and 485. In addition, the rise of the past five months has formed an upward trend line which now lies between 485 and 490. These two strong technical points should provide enough resistance to halt a corrective decline.

Before another attempt is made to test the all-time high of 521.05 established in 1956, the list will have to build a base of accumulation somewhat below current levels.

Warns Against Loss Of Business Activity In New York State

The New York Chamber of Commerce has urged the Democratic and Republican State Platform Committees today to incorporate in their platforms recommendations designed to help maintain New York's position of leadership in business activity.

In a letter signed by its President, Isaac B. Grainger, the Chamber warned that New York has not kept pace with other States in economic growth, particularly in manufacturing.

"A continuation of this trend," it cautioned, "could have unfortunate consequences for all our citizens."

The letter was prepared in response to a request from Judge Daniel Gutman, Chairman of the Democratic State Platform Committee. A similar letter was sent to the Republican Committee and to Chambers of Commerce throughout the State.

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Investment Notes on Pleasure Boats —And Garages Called Marinas

By DR. IRA U. COBLEIGH
Enterprise Economist

Containing quite seasonable comment, buoyed up by a few statistics, on a rapidly growing industry stemming from the leisure and opulence of our "affluent society," pleasure boating.

This article began on a July afternoon when your correspondent, in a mood of sheer indolence, swapped a swivel chair behind a disheveled downtown desk, for a steamer chair on the after-deck of a 55-foot yacht breezing easterly on Long Island Sound. It was a perfect afternoon for playing sun glasses and highball glasses back to back and, as the shore raced swiftly by, it suddenly dawned on me that we were viewing, or passing, a dozen pleasure boats a minute; and that this leisurely aquatic pastime of quondam landlubbers must support a very substantial industry. Well, it does!

Ira U. Co...

Twenty percent of the population of continental United States (35 million persons) took some part in recreational boating in 1957. Over $1.9 billion was laid out for new and used boats, and the haulage, dockage, storage, fuel, maintenance, insurance, supplies and club membership, related to the seven million pleasure craft afloat (with some awash!) in 1957. One person in every 25 is a boat owner. Now this is really big business; it's getting bigger all the time and growing at a perfectly fantastic rate. Recreational boats in use have more than doubled since 1950, a fact which explains the small craft consumption of 380 million gallons of gas, and 20½ million gallons of diesel fuel, in 1957. And all of these statistics are breaking their hawsers in 1958.

In power boating, however, the big booming upsurge has been in outboards. At the end of 1951 there were 3 million outboard motors in use; but by the end of 1957 this total has soared to about 5,190,000, including some 600,000 units sold in that year. Noteworthy, too, is the "horse-power race." Time was when you could tote an outboard under your arm; clamp this 3 HP demon astern of a rowboat and sputter off across the lake at a dazzling 3 miles per hour. As recently as 1947, 87% of all outboards developed less than 7 HP. Today, only 22% are in that rating. The average engine now delivers above 16 HP, and there are big 70 HP beauties that zoom lithe water skiers along abaft at 35 m.p.h. All of this has, of course, been a wonderful thing for outboard makers in general, and has delivered an astounding volume of business to Outboard Marine Corp. in particular.

Outboard Marine Corp.

Outboard Marine Corp. is, by far, the largest producer of outboards, and its model lines include the Evinrude, Johnson and Gale Buccaneer brand names, with units running from one cylinder three hp. jobs to four cylinder 50 hp. engines. There is also the Lawn Boy division, making power mowers, and Cushman Motor Works division (acquired 6-6-57), large scale maker of motor scooters. Evinrude and Johnson outboards are distributed in the U. S. through some 7,500 retail dealers who are very proud, indeed, of their franchises. The other products are distributed, for the most part, through hardware jobbers.

The important thing to note in the outboard picture is its remarkable progress. Net sales, which were only $27 million for 1950 (fiscal year ends 9-30), rocketed to over $150 million in 1957; and will reach a new high this year. Net earnings, which were $3 million as recently as 1953, crossed $13 million in 1957.

Stockholders in OMM have fared splendidly. Cash dividends have been paid since 1936, and the common stock was split 2-for-1 in 1945 and 3-for-1 in 1957, with a 20% stock dividend in March of 1953. Policy has been to retain about two-thirds of net earnings, reflecting the rapid rise in net worth, by the stock extras above recited.

Outboard has slackened in earnings this year due to production start-up costs in turning out larger motors, and to higher advertising expenditures. Per share net of about $1.60 seems probable for fiscal 1958 — ample coverage for the current 80 cent dividend. The common stock, which sold as high as 37⅜ last year, has a look of long-term attractiveness at current price of around 25⅜.

In earlier days, outboards were hung onto the sterns of any old rowboats that happened to be available, but now the trend is for boats specially designed for outboard propulsion. About 320,000 of such were sold in 1957—over double 1951 sales. Most boats, in times gone by, were of wood but today there's a strong trend to other materials—some aluminum but especially plastics, the principal one being fiberglas. Further support of this trend was given by Admiral Mumma at a meeting of members of the American Boat Builders and Repairers Association, and the U. S. Navy Bureau of Ships, in Boston, Aug. 11, 1958. Admiral Mumma stated that he felt the day of the wooden boat was on the wane; and indicated Navy preference for plastics and other materials. He was talking about boats 50 feet and under.

Owens-Corning Fiberglas

Since this pleasure demand may prove to be a large market for fiberglas manufacturers, a swift look at the two largest in that business may not be amiss. The biggest is Owens-Corning Fiberglas Corp. Basic product is glass wool which can be adapted for all kinds of insulation, for filters, for textiles, and for reinforcement of plastics in such diverse products as fishing rods, awnings, house partitions, motor car bodies—and pleasure boats.

Growth of Owens-Corning has been remarkable with net sales rising from $48½ million in 1949 to $163 million for 1957. In the same period, net income advanced from $2,280,000 to $9 million. Stock is listed on the New York Stock Exchange where it sells around 48½ with an indicated 80 cent dividend. It appeals more to buyers in search of long term capital gain than to investors for income.

L. O. F. Glass Fibers Co.

The second largest company in fiber glass manufacture is L. O. F. Glass Fibers Company with 50.3% of its common stock owned by Libbey - Owens - Ford Glass Co. Here again growth has been rapid. The 2,707,033 common shares are traded over-the-counter around 18. No dividends have been paid, so far.

These two companies should share in turning out the base material for fiber glass boats of the future, whose advantages lie in far greater structural strength, usually lower original cost and less maintenance because they don't need yearly scraping and painting. There will also emerge many smaller companies whose business should prosper through processing and fabricating glass fiber plastics and the building and sales of the boats themselves.

Another interesting facet of all this pleasure boating is dockage and storage. The yacht clubs, which provided the earliest private anchorages and docks, are bulging at their seams, and most have long waiting lists. The big newcomer on the boat mooring horizon, however, is the marina. In case that's a new word to you, it is defined by National Association of Engine and Boat Manufacturers as a "modern boat basin with facilities for berthing and securing all types of recreational craft as well as providing adequate supplies, provisions and fueling services."

This marina business has been going great guns. There are approximately 2,100 marinas in the United States today and there's a crying need for at least 1,000 more. Existing ones accommodate anywhere from 15 to 1,500 boats and there are some fabulous ones — at Fort Lauderdale and Bay Biscayne, Fla.; and a brand new million dollar beauty, Terra Mar, at Saybrook, at the mouth of the Connecticut River, replete with a 130-room hotel, bar, restaurant, swimming pools, and tennis courts.

The average rate for marina dockage is $2 a day for small boats and up to $15 for bigger boats at the "cushier" marinas. The smallest marinas are little more than tie-ups where the pleasure boatman can "gas" up, and take on a supply of water and a chunk of ice. The bigger ones offer a far wider and more luxurious list of services.

The ideal marina should provide a safe and well sheltered

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Indications the current week point to continued improvement in the country's economy. In the steel industry, production at this period is running counter to the customary slow demand, by small but steady gains week after week. This development in steel stems mainly from construction and in some small measure from the auto industry, which is a month earlier in placing steel orders for its new-model output. Automakers are buying steel cautiously, awaiting the outcome of their contract negotiations with the United Automobile Workers Union.

Housing starts too, have also contributed their share to the upturn in business by rising to a yearly rate of 1,160,000, the largest gain covering a period of more than two years and creating a backlog of homebuilding work which will extend well into the autumn. This pickup in housing starts has stimulated the lumber industry, which reports through a spokesman, "The West Coast Lumbermen's Association," that orders have topped output for two solid months. This improvement in homebuilding will step up demand for other types of building materials and consumers durable goods as well.

As the nation's economic picture brightens, the threat of inflation casts its unwelcome shadow over the horizon. Our ever-growing Federal deficit, along with the Near East problem and current wage increases and price advances for steel and aluminum are causes for concern.

The behavior of the stock and bond markets has emphasized this threat and official Washington is endeavoring to allay the public's fears by a renewed effort toward balancing the budget and other steps to restore the value of the dollar.

Following a study of past and current movements of food and non-food price indexes, it is reported, government officials are of the opinion that price trends of consumers goods will play a major role in curbing fears of inflation.

The Federal Reserve Board's seasonally-adjusted index of industrial production rose to 133% of the 1947-49 average in July from 131 the month before. This is the third straight monthly rise since the recession low of 126 in April. In May, the index was 128.

Government officials reported, however, considerable improvement is needed before business will be back to peak-1957 levels. In July last year, industrial production stood at 145, the highest point for 1957. The index reached its high for any year in December 1956, at 146.

The board's summary of economic conditions in July sketched a picture of business heading firmly upward out of the spring trough of the recession.

"Recovery in industrial production continued in July," the board declared. Construction activity and private housing starts rose further. Employment and personal income were up from June figures and retail sales held up.

While prices of industrial materials went up some, rated by economists as one of the signs of improving business, costs of farm products declined. Even though loans to business went down in July, the board noted, over-all bank loans and investments increased again over June. Yields on Government securities and corporate bonds went up, meaning that prices went down, but common stock prices reached new highs for the year.

Commenting on other economic developments, the board commented:

"Increases in industrial production were widespread among durable goods industries in July." This segment of industry has felt the brunt of the business downturn.

While the report pointed out that activity in producers' equipment lines was still sharply below the 1957 peaks, it went up in July for the second month. This includes such items as machine tools.

Latest reports on employment show that the number of workers collecting unemployment insurance checks under Federal-state programs dropped by 80,700 in the week ended Aug. 2 to 2,342,100, the lowest since late December.

The decline, continuing the downward trend that began in April, was attributed by the United States Department of Labor chiefly to the recalling of workers in plants reopening after vacation shutdowns and to new hiring in such seasonal industries as food processing and apparel. In addition, some claimants exhausted their benefit rights.

However, the number of workers filing new claims for unemployment insurance edged up during the week ending Aug. 9 by 6,400 to 324,900, the agency stated, compared with 213,800 a year

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Observations . . .

By A. WILFRED MAY

The New Dollar Diplomacy

UNITED NATIONS, N. Y.—At a new high is economics now placed as an instrument of international diplomacy. This is clearly demonstrated by the dominance over the current convocation of the General Assembly of the programs of Secretary General Hammarskjold and President Eisenhower for ameliorating the Middle East crisis. The President's proposal, the lone word from the Summit, envisaging a sizable contribution to a collective set-up, coming the day after Under Secretary Dillon's announcement of U. S. support to an inter-American regional development institution, marks a distinct departure from our previous policy of extending aid on a bilateral basis. Moreover, it is definitely understood that the President's plan contemplates complete divorce of the contributors from control over the expenditure of their largesse.

A. Wilfred May

This relinquishing of control over expenditures will limit any affiliation with the World Bank to completely informal advisory services (with the President's involvement of the Bank no doubt a gesture to capitalize on Eugene Black's good "public relations" with the Arabs). Surely the Bank will have its hands full in just moving over to the Monroney Plan-type of soft-lending, which will come up for definitive action in the next session of the Congress.

Although the President's proposals were of course advanced with complete sincerity, a host of practical difficulties will no doubt confine their practical effectiveness to the propaganda area (perhaps even successfully substituting *economic* for *ballistic* blackmail).

The fact of our sponsorship of the idea (irrespective of whether it was filched from Mr. Hammarskjold or from Secretary Trygve Lie's U. N. staff in the 1940's) will presumably entail a Moscow, if not an Arab, "veto." But there are a number of fundamental substantive obstacles.

Specific Difficulties

Even if we are now willing to devote our aid, via money and technicians, through the United Nations, will our co-contributors be willing to go along thus indirectly?

Not even the wizardry of Mr. Hammarskjold will overcome the unwillingness of the oil-rich "have" Arab countries to share-the-wealth with the "have not" members of the region. The new Iraq Government indicates no great zeal to share its oil-wealth with Egypt, Lebanon, or Syria.

From the West's viewpoint, the encouraging, with subsidization, of federative bargaining by all the oil-producing Middle East countries, will wreak severe hardship on our European friends. For the bargaining power derived through separate negotiations with individual countries, which saved the day at the time of Iran's nationalization move, would be lost.

And overhanging this aid question too, as it does the overall political phases, is Israel. Major strengthening of the Arab bloc must ultimately lead to intensification of their pressure on Israel, with the multiplication of our problems there—economic as well as political.

Truly the President's program, clearly and succinctly presented, is a constructive effort. But the citizenry must not delude itself concerning results — outside the propaganda arena.

East-West Trade Promises To the Test

The current announcement of easing of the Western restrictions on exports to the Soviet bloc will put to the test the Soviet propaganda line that it has been the embargo on strategic materials which has prevented a high level of East-West trade.

While many have realized that permissible trade has been, and will continue to be, hindered by the Russians' inability to pay, it is important to realize that this has constituted only one of several reasons for the low level of business between Communist and non-Communist nations. As a recent on-the-spot survey in Western Europe and the Middle East by this writer disclosed (as reported in detail in an article, "They Tried to Do Business With the Soviets," in the "Reader's Digest"), earnest efforts to do business in non-strategic goods with the Russians have been consistently nullified by their general unreliability, deliveries unsatisfactory as to both time and quality, price juggling, non-competing credit restrictions, attachment of political and commercial strings, and the pervasive difficulties encountered by free enterprisers in doing business with a state-controlled economy.

Thus the record of the actual course of attempts to do business with the Soviet bloc is one of frustration, constant irritation and mutual distrust, with exceptions occurring only when prompted by political strategy.

* * *

FED Again on the Spot

Again the Federal Reserve is a "controversial character." After having incited successive charges of being too late or of not following through fast enough, in reversing themselves out of the 1954 depression; of too slowly reacting to the 1955 boom; of acting too drastically in curbing the 1957-58 boom; and of negligent tardiness in easing the rate at the onset of our current (recent?) recession; the FED authorities now surprise and befuddle the entire community by sanctioning a rate rise midst a presumed recession period. Though real recovery may be on the way, random news items still show unemployment at the nasty five million level, steel operations down at 60% of capacity, carloadings at a decline of 16½% from last year, coal and iron ore shipments more than cut in half, reduction of the price of lead to the lowest level since April, 1950, etc., etc.

Under almost any definition of "inflation" (as, for example, "an excess supply of money chasing a relatively lesser amount of goods"), a present move against business borrowers as an anti-inflationary step would seem irrelevant. If the money managers' concern is a price rise stemming from prospective wage increases, or other facets of the "administered" price process, it is difficult to see how a rise in the discount rate can be effective—even as a psychological gesture. Actually expansion and any inflation are centered in the government's fiscal operations, with its impending $12 billion deficit and enlargement of the money supply. This implies the question whether the FED's apparent reversal of direction essentially is perhaps a courageous — and discommoding— move against the Treasury, deemed important enough to justify the ensuing threat to the already unsettled general bond market, with the accompanying hindrance to new capital financing.

Again, there has been some conjecture that the FED's reversal represents a move against the stock market. But we must remember its prescribed duty. Primarily it is to curb the amount of credit directly going into the market. Specifically, the Securities Exchange Act (Section 7) directs the Board of Governors to prescribe rules from time to time "with respect to the amount of credit that may be initially extended and subsequently maintained" on any registered security. The statute also speaks in terms of "preventing the excessive use of credit for the purchase or carrying of securities," substantiated by the House report at the time of passage of the Act: "The main purpose [of the margin provisions] is to give a Government credit agency an effective method of reducing the aggregate amount of the nation's credit resources which can be directed by speculation into the stock market and out of other more desirable uses of commerce and industry — to prevent a recurrence of the pre-Crash situation where funds which would otherwise have been available at normal interest rates for uses of local commerce, industry, and agriculture, were drained by far higher rates into security loans and the New York call market." Also the Congress had in mind the prevention by the margin requirements of undue market fluctuations. Appraisal of the market price level is not the concern of the authorities.

These two relevant elements, namely, an excessive amount of market credit and market fluctuations, which are possibly present now, have been fully treated by the Fed's margin requirement boost of a fortnight ago, which antidote and not a rediscount rate rise, is in order and possibly effective.

Interest Rate and the State of the Market and Business

Even if use of the discount rate be deemed proper for limiting the amount of stock market credit inflow or fluctuations, or for lowering the market price level, it could be made effective only via injuring business generally. Surely it would be senseless to engineer a reduction in business activity and earnings for the end of knocking down stock prices.

We should also realize that the discount rate does not directly affect the charge for stock market credit, or at least without a good time lag. Typical is the record during the past year. The discount rate was lowered from 3½ to 3% in November 1957, yet the call loan rate was not reduced until January 1958; and the halving of the discount rate by April was followed only slowly and by a net drop of merely 22%, in the rate charged by New York Stock Exchange firms.

And likewise, over the long-term, has there been a lack of ready correlation between credit controls on the one hand and the stock market or the state of business on the other. The five successive reductions in the discount rate from May 5 to Nov. 4, 1921, affecting a net decline from 6½ to 4½%, had no direct response in stock market or business recovery. Conversely, the discount rate rises of February, May and July 1928 preceded by 18 months or so the October 1929 market crash and the break depression on business. The discount rate reductions begun Nov. 1, 1929 preceded by three years the ensuing business and market recovery, which started in late 1932. Similarly was there a long business and market lag after the rate reduction of Aug. 27, 1937; and no business-market effects from the rate rises of January 1948 or August 1950; or from the rate hikes in April and August 1955.

In any event, insofar as the current rate change denotes policy exceeding a mere money market realignment, as with the short-term bill rate, there should be an authoritative explanation to the public.

Conclusion

To this observer the present situation re-emphasizes the conclusion that non-essential moves to manage the economy, no matter how expert and conscientious, must in time be self-defeating.

Significantly, imponderables are similarly confronting the British money-managers, who have just again reduced the bank rate, to 4½%, as currently touched on by the London Economist thus: "If a Chancellor could order demand within the economy like a housewife orders supplies at the grocers, therefore, Mr. Amory might well choose that the demands laid upon British industry towards the end of this year should be a little higher than those being laid upon it now. If he makes no further significant moves towards an easier money policy, is there any chance that they will be? Or is internal demand doomed to fall further? There is more room for controversy about this than some prophets of depression seem to grant."

NSTA Notes

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Long-Term Outlook for Energy —Including Natural Gas

By DANIEL PARSON*
Director, Bureau of Statistics, American Gas Association

Facts and figures to explain long-range estimates for energy in general and natural gas in particular are contained in Mr. Parson's paper which sees "at least four decades of expanding gas industry operations with the industry becoming even more dominant as a supplier of energy to the nation." Notes percentage of gas in increasing competitive energy requirements will rise from 52% in 1955 to 74% in year 2000 and only after 1990 will there be some supplementation of synthetic gas. Perceives no foreseeable factors to lessen competitive position of gas compared to oil and coal in next 40 years and doubts atomic energy is a serious hazard to gas industry.

When faced with the assignment of developing long-range estimates of the demands for energy in general and natural gas in particular, one is immediately impressed by the multitude and variety of assumptions which become necessary. In a study of this sort the old style crystal ball is no longer adequate; one requires a new version appropriate for the rapidly changing current world of technology.


Daniel Parson

The first question that one inevitably faces is how far in the future to look. I have at least a reasonable assurance of still being around in 1975 and thus might have to defend my estimates, and little chance that I will survive to the year 2000; it thus became obvious that I should select the latter year as the terminal date for these analyses.

A word about the purposes of this analysis. Many prophets of doom and gloom have been stating for years that natural gas supplies were in imminent danger of exhaustion, and some have recommended that available supplies be reserved for so-called "superior use," purposes for which the chemical composition and form of gas are peculiarly suited rather than representing merely a source of Btu's. One principal purpose of studies of the sort which I will soon describe is to analyze objectively the merits of any such arguments. Another obvious aim is to explore the magnitude of available future natural gas supplies and the economic conditions upon which such supplies will depend, as a guide to far-sighted managements regarding long-term planning of gas systems and needed major expansions, and to evaluate the relative reliance which must be placed by the nation on "unconventional" energy sources, such as atomic and solar energy.

No studies of this type are possible without numerous assumptions and estimates. Wherever possible such assumption should attempt to be as realistic as feasible, and to utilize concepts which will be conservative in their impact upon gas demand and supply wherever both conservation and radical alternatives seem equally reasonable. This approach has been adopted uniformly in this paper.

One further thought — we all realize that nothing in this world is so constant as change. The merits of periodic re-examination of long-term energy demand and supply estimates thus become evident. Whenever any revision of current trends or economics appears to warrant re-examination, I would hope that A.G.A. will be both willing and able to develop revised realistic estimates. At the present time, with the facts as they currently exist, I think the following analysis is the most reasonable one possible.

*From a talk by Mr. Parson before Spring Conference of A. G. A. General Management Section, Washington, D. C.

Population Estimates

As with most types of economic forecasts, one of the basic stepping stones is estimates of future population. We have been exposed to a variety of forecasts, both formal and informal, regarding population in the year 2,000 from such organizations as the Census Bureau, the National Industrial Conference Board, Resources For The Future, and the Social Security Administration.

Attempts were made to obtain similar forecasts from a variety of other organizations so as to compound our confusion, but such attempts were unavailing. After inspection of the various forecasts, we have concluded that the most realistic projections specify a population of 330 million people in the United States by the year 2,000. Implicit in this estimate is a total of 230 million in 1975. These estimates are based on a gradual slackening of current birth rates to levels more nearly consistent with long-term averages, as opposed to postwar experience; and some improvement in life expectancy to reflect the continuing advance of medical research. The estimates which we have adopted are concurred in by two reputable organizations which have done considerable research in this field; to obtain such agreement is no inconsiderable accomplishment in such an area where multitudes of economists and demographers will argue the merits of their own estimates at the drop of a hat.

Projects Per Capita Energy Growth

The next step was to analyze for a period of past years the trends in per capita use of energy within the country. These show a reasonably consistent trend since 1940 and for the years prior to 1930 (although the intervening depression decade does not agree with this trend).

If this trend is extrapolated, we find that per capita use of energy in this country will increase from 242 million of Btu in 1955 to 285 million in 1975 and to 340 million in the year 2000.

There are good reasons to assume that such extrapolation of growth in energy per capita is realistic. Assuming the absence of a destructive atomic war, I am sure no one doubts that our economy will continue its long-term trend toward increased industrialization and automation over the long-term; these, inevitably, will require higher levels of energy requirements per unit of production. Additionally, demands for shorter work weeks and more leisure will necessitate the development of higher industrial productivity, and here, once again, energy requirements per unit of production can trend in only one direction—up.

Multiplying the population estimates by the estimated demand for energy per capita provides us with total energy requirements of the nation for the years under consideration. The gain is from 40 quadrillion Btu in 1955 to 112 quadrillion in the year 2,000.

Competitive Energy Requirements

There are certain types of uses for energy for which natural gas cannot compete because of its physical characteristics. These include such uses as motor vehicle fuel, fuel for railroads, and all purposes in which the energy-consuming unit is mobile. We have analyzed the extent to which energy demands in the past have been attributable to these non-competitive areas and have attempted to determine the proportion which will be non-competitive in the future. Two procedures were utilized. In the first attempt the proportion of total demands represented by non-competitive uses was reviewed and extrapolated, after separate examination of trends in each such non-competitive area. In the second approach we examined historical information on competitive uses of energy and developed projections of these for the future. The two procedures yielded results which differed by less than 15%, and we used the average of both results for our final figures. Thus the competitive energy requirements, for purposes for which gas can be used, increase from 19.5 quadrillion Btu in 1955 to 47 quadrillion in the year 2,000.

Our next step was to analyze historic trends in the percentage of total competitive energy supplied by gas. This has been increasing substantially since 1920, and the growth has accelerated substantially since 1950. For this study we adopted the conservative alternative and assumed that the rate of growth during 1930-1950, which was smaller than that during the preceding or succeeding decades, would be applicable in the future. Using this rate of growth, the proportion of total competitive energy requirements which will be supplied by gas will increase from 52% in 1955 to 74% in the year 2000. Let me emphasize that this represents a consistently conservative approach toward historical rates of growth in the demand for natural gas.

After thus determining the future demand for natural gas energy throughout the economy, an adjustment was made to add necessary extra amounts representing some minimum unavoidable production waste, gas lost in transmission, and similar amounts necessary to get gas to market, but not consumed by the economy. After this correction, net production of natural gas must increase from 11.2 trillion cubic feet in 1955 to 36.6 trillion cubic feet in the year 2000, if it is to supply the previously postulated demands for natural gas.

Before we turn to a discussion of supply to ascertain whether these demands can be met, and to a review of the relative cost structures of the various fuels to determine whether such consumption will be economically feasible, let me mention one different approach toward energy demand forecasts which has been used by Palmer Putnam in his book, "Energy in the Future." Mr. Putnam has differentiated between energy inputs and energy outputs. The former are the amounts of fuel produced and consumed, while the latter concept represents the useful energy derived by the users. Because of improving efficiency rates and the changing proportions of different types of use, each with its own characteristic combustion efficiency, the trends in input and output are different. Unfortunately available information regarding historical efficiency rates for fuel consumption is rather limited. It is my feeling that the use of Putnam's procedures, while they may theoretically be more valid, is severely limited by the absence of reliable statistics. This accounts for my decision to utilize the procedures described previously for estimating future energy demands of the country.

The Supply of Natural Gas

The A.G.A. Committee on Natural Gas Reserves recently issued its estimate of 246.6 trillion cubic feet of proved recoverable reserves at the beginning of 1958. These estimates include only gas proved by adequate drilling and various reliable geological and engineering tests. The total amount of natural gas which awaits our discovery and utilization substantially exceeds these proven reserves.

The generally accepted procedure for estimating total ultimate reserves of natural gas is to estimate ultimate reserves of crude oil by determining the amounts of crude oil so far found per acre explored, and multiplying this figure by the number of acres known to have appropriate underlying geological formations suitable for the accumulation of crude oil and/or natural gas. To the resultant estimates of ultimate crude oil reserves is multiplied an assumed gas-oil ratio to yield ultimate gas reserves.

Upward Trend in Gas-Oil Ratios

Historically the trend of gas-oil ratios has been increasing significantly in recent years. If the annual reports of the Reserves Committees of A.G.A. and A.P.I. are analyzed, by dividing gross additions to natural gas reserves by gross additions to crude oil reserves, a gas-oil ratio for recent exploratory activity can be derived. In the five years ending 1951 this average was 4,000 cubic feet of gas per barrel of oil; for the five years ending 1957 the ratio was 6,720 cubic feet of gas per barrel, and the averages for all intervening five-year periods show a consistent and virtually uninterrupted upward trend. In 1957 alone the ratio was 7,100 cubic feet of gas per barrel of oil added to reserves. For purposes of this analysis I have adopted the conservative assumption that the gas-oil ratio will remain at its present level of 7,000. This same assumption has been utilized by Bruce Netschert of Resources For The Future in his recent excellent publication called "The Future Supply of Oil and Gas."

There are good reasons for assuming that this ratio is very conservative. In the first place the trend today is deeper drilling and future technology will undoubtedly facilitate and accelerate this trend. As depths become greater, gas-oil ratios increase markedly; and the proportion of wells which discover gas or distillate as opposed to crude oil also increases. Furthermore with the burgeoning demand for natural gas, there is little doubt that a substantial number of oil companies will more vigorously explore for gas *per se* rather than finding it as a corrolary of oil exploration. One major oil company has already recognized this probability in its managerial philosophy. Further impetus for this search for gas will be created by gas price increases in the field, making the development of new gas production facilities more profitable.

Postulates Gas Reserves

A number of people have developed estimates of ultimate oil reserves. Some of these, adjusted to omit cumulative production through 1956, specify amounts such as 246 billion barrels (Dept. of the Interior), 195 billion barrels (Messrs. Hill, Hammar, and Winger of the Chase Bank), and 145 billion barrels (John Murrell of Degolyer and MacNaughton). It is apparent that a considerable range exists among the estimates of these specialists. Careful examination of the various estimates and the assumptions upon which they were prepared, leads me to conclude that a figure of 200 billion barrels remaining, is realistic. Of this amount 30 billion barrels are attributable to currently proved recoverable reserves, leaving 170 billion barrels still to be discovered. If this 170 billion barrels is multiplied by the gas-oil ratio of 7,000 cubic feet per barrel, we find that there are still 1,190 trillion cubic feet of gas to be discovered. Adding to this the current proved recoverable reserves of 246 trillion cubic feet yields a total remaining U. S. reserve of 1,435 trillion cubic feet. For this paper I have adopted 1,400 trillion cubic feet. It should be emphasized that these relate only to recoverable reserves based on current production methods, rather than to total reserves, and any subsequent technological improvement in the proportion of gas in place which can be recovered economically would increase these figures.

In the interests of conservatism I have also ignored the ultimate reserves of Canada and Mexico. It is generally considered that Canadian gas reserves will total substantially more than 100 trillion cubic feet, a large part of which will probably be available, after various Canadian Governmental groups have completed their deliberations, for export to the United States. It also seems likely that substantial reserves exist in Mexico, although no quantitative estimates have yet come to my attention.

Let us see how this estimate of 1,400 trillion cubic feet compares with estimates prepared by others. About one year ago Lyon Terry and John Winger estimated that proved recoverable reserves would ultimately aggregate at least 1,200 trillion cubic feet. Bruce Netschert, in his recent publication, has agreed with substantially this level. A representative of the United States Geological Survey indicated in a speech before a group of NARUC engineers that uitimate reserves would aggregate between 1,150 and 1,700 trillion cubic feet. It is my conclusion that the estimate of 1,400 trillion cubic feet is realistic, and may ultimately prove conservative because of the influence of higher gas-oil ratios and improved recoverability.

Growth of Additions to Proved Reserves

The next step is to develop a schedule showing the impact, both on proved reserves and ultimate reserves, of continued growth in production of natural gas, up to a level of 36.6 trillion cubic feet in the year 2,000. It is also necessary, simultaneously, to explore the prospects for additional discoveries of natural gas. Analysis of the annual reports of the A.G.A. Reserves Committee indicates that annual gross additions to proved reserves have been increasing at the rate of one trillion cubic feet per year. Assuming that adequate economic incentives exist in the future, and that the cost of natural gas remains competitive so that the consumption and production projections previously set forth will remain realistic, there seems to be no reason why future gross additions to proved reserves could not increase at the same rate as in the past. In spite of dire predictions regarding the impact on new gas discoveries which would result from failure to free producers from Federal regulation, gross additions to proved gas reserves attributable to new discoveries reached a peak in 1957. Surely some generally acceptable formula to eliminate the possibility of producer regulation under a public utility concept will be evolved, with a consequent acceleration in exploration

efforts assuming, as I said before, adequate incentive and reasonable competitive price. And the gas is there, waiting to be discovered.

I recognize that in developing these schedules of annual discoveries and withdrawals we are unavoidably dependent on a variety of assumptions. Any criterion used to evaluate these estimates must necessarily depend on subjective judgments regarding their reasonability, and a review of their effect upon remaining gas in the ground. I have assumed (a) that the rate of new gross additions to proved reserves will continue upward with annual increments of 1 trillion cubic feet per year until such time as remaining proved reserves are equal to one-half of total remaining reserves; (b) for subsequent years (and 1977 is the year in which this event occurs) the ratio of gross additions to remaining total reserves will decline in the same symmetrical fashion which characterized its increase in years prior to that date; (c) net production of natural gas can never exceed, in any individual year, 6% of the proved recoverable reserves.

If all production were transported by pipelines subject to F.P.C. regulations, the ratio based on current regulatory thinking could presumably not exceed 5%. However, not all production moves to market through interstate pipeline companies; furthermore, as the gas industry becomes more mature and its reserve position starts to diminish, some modification and liberalism of the F. P. C. 20-year supply requirements will presumably become likely. Under these circumstances I feel that a 6% ratio represents a conservative limitation on annual production.

Enough Natural Gas Thru 1990

The resultant annual schedule indicates clearly that there will be no problems in producing the amount of gas required by the economy through 1990, although proved recoverable reserves will start to diminish in 1984 when net production will begin to exceed gross additions to proved reserves.

Starting in 1991 some supplementation of the natural product must be provided by synthetic gas derived from coal, oil shale, or some other source, if the demands of the economy for natural gas are to be met (and if the 6% limitation continues). Although such synthetic production will initially be very minor, it will increase rapidly, and by the year 2,000 more than 42% of total supply will be derived from synthetic gas production. I am personally confident that by then, given continued research on synthetic production process, the cost of the synthetic gas will be fully competitive with the natural product.

Need to Research Synthetic Gas

The above statements should not be construed as meaning that research on synthetic natural gas should be postponed for some years because it may not be needed until 1991. The hesitation of the financial community to recognize estimates of ultimate natural gas reserves in investment decisions, and the resultant imposition of unduly rigorous financing terms upon gas company securities because of presumed dependence upon a wasting asset, necessitates the development of effective and economical means of producing synthetic natural gas as soon as possible. Furthermore, it seems feasible that vigorous research on such processes may hasten the day when the reduced cost of synthetic natural gas will effectively place a ceiling on the cost of the natural product at the wellhead.

I feel that the postulated schedule of annual gross additions and net production is realistic, because of my assumption that gross additions will start to decline when proved reserves equal 50% of total reserves, and because of the 6% limitation on net production as a proportion of proved reserves. The schedule indicates that in the year 2000 total reserves will still be 462 trillion cubic feet, of which 366 trillion will be proved.

Obviously anyone wishing to adopt different basic assumptions could develop a schedule which would differ to some extent from mine, and the relative merits of alternative schedules of this nature can be evaluated only subjectively. My schedule, which looks realistic to me, indicates that there will be enough natural gas for the expanded demands of the economy through 1990; and that in the year 2000 substantial amounts of natural gas will still remain in the ground, although the rate of withdrawal will have declined so as to require significant supplementation by synthetic natural gas.

Some people have utilized so-called "decline curves" to estimate the maximum annual production of natural gas, and the year in which this maximum will occur. This procedure has certain defects which appear to me to outweigh the disadvantages of the schedule which I have developed. The decline curves for individual gas-producing fields vary substantially from each other in shape, immediacy with which the peak year is reached, and rate of decline in production after the peak year. There is no one generalized type of decline curve which can be effectively defended against numerous alternatives, and the problem of developing a composite decline curve for the entire national supply presents problems substantially greater than those implicit in the assumptions necessary for development of the type of schedule which I have presented.

I have touched briefly on the possibility of improved recovery of natural gas because of new technological developments. Various means are being developed for fracturing formations to make them more permeable, and to facilitate greater recovery of natural gas, and I am sure that some of you were excited by the recent news story regarding the underground atomic explosion in Nevada and the possibility that atomic energy might be a feasible means of increasing future gas and oil recovery. These possibilities offer definite promise, but have not been given any quantitative value in deriving the schedule of discoveries, withdrawals, and reserves.

Costs of Alternative Energy Sources

I have attempted to show that reserves and net production will be adequate to support vastly greater demands for natural gas, at least to 1990. Now let us examine the prospects for relative fuel prices to determine whether these demands for gas are realistic in term of consumer economics and interfuel competition.

In discussing relative fuel prices, I have not attempted to develop specific price predictions for the future; this is an exercise in prognosticating in which even I refuse to participate. Nevertheless there are many factors which can offer a qualitative approach toward this problem.

We are all familiar with the recent trends in average field prices of natural gas. This average

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Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter No. 40—Including number of radioistope users since 1953; discussion of acceleration of atomic power construction in Europe—Atomic Development Securities Co. Inc., 1033 30th Street, N. W., Washington 7, D. C.

Bond Market—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Building Blocks, 1958—Discussion of plastics industry—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

Burnham View—Monthly investment letter—Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Chemical & Pharmaceutical Indices—Circular—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Economic Outlook for Japan — Analysis in current issue of Nomura's "Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue is an analysis of **Japanese Food Industries** and **Chemical Fibers and Non Ferrous Metals.**

Electric Utility Companies—Review—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Estate Planning — Discussion in "Current Comments for Investors"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is an analysis of **Rohr Aircraft Corp.** and a list of selected stocks in the 20's. Also available is a tabulation of 21 companies whose profits were better than expected for the first six months of 1958 and 21 whose profits were less.

Growth of the Ethical Drug Industry — Discussion in August "Business Comment" — Northern Trust Company, 50 South La Salle Street, Chicago 90, Ill.

Japanese Stocks—Current information—Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Missile Makers — Discussion with particular reference to **Douglas Aircraft, Lockheed Aircraft, American Potash and Chemical, American Bosch Arma** and **Packard Bell**—Bache & Co., 36 Wall Street, New York 5, N. Y.

Oil Industry and Middle East Problems—Survey—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Positive Investment Policy—Study of leading western companies—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Put & Call Options—Booklet on how to use them—Filer, Schmidt & Co., 120 Broadway, New York 5, N. Y.

Treasure Chest in the Growing West—Booklet describing industrial opportunities of area service—Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.

Western Pennsylvania Corporations—1958 analysis of 82 corporations of Western Pennsylvania—Singer, Deane & Scribner, Union Trust Building, Pittsburgh 19, Pa.

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American Bosch Arma Corporation—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **Western Union Telegraph Co.** and on **ABC Vending.**

American & Foreign Power Co.—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

American Viscose—Memorandum—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on **Penn Dixie Cement.**

Anchorage Gas & Oil Development Inc.—Analysis—National Securities Corporation, Skinner Building, Seattle 1, Wash.

Barnes Engineering Co.—Memorandum—Lapham & Co., 40 Exchange Place, New York 5, N. Y.

Bonanza Air Lines Inc.—Analysis—William R. Staats & Co., 111 Sutter Street, San Francisco 4, Calif.

Celanese Corporation—Analysis—Du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are analyses of **Container Corporation, Hoffman Electronics** and **International Minerals & Chemical.**

Chain Belt Company—Analysis—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is an analysis of **Gas Service Company.**

Colorado Interstate Gas Co.—Memorandum—Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

Diebold Incorporated—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available are bulletins on **Pacific Gamble Robinson Co.** and **Eastern Industries.**

Gas Service Company—Analysis—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.

Granite City Steel—Analysis—Purcell & Co., 50 Broadway, New York 4, N. Y.

Hydra Power Corp.—Report—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

International Salt Co.—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

Johns Manville Corporation—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Lone Star Steel Co. — Memorandum — The First Cleveland Corp., National City East Sixth Building, Cleveland 14, Ohio. Also available are memoranda on **Oklahoma Mississippi River Product Lines** and **Mississippi Valley Gas Co.**

Louisville & Nashville Railroad—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Madison Gas and Electric Company—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Mine Safety Appliances Co.—Study—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Minneapolis & St. Louis Railway Co. — Memorandum — R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y. Also available is a memorandum on **Missouri Public Service Co.**

National Life and Accident Insurance Company—Analysis—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

Natural Resources Company—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Oxford Paper Company—Analysis—Schweickhardt & Co., 29 Broadway, New York 6, N. Y.

Pennroad Corporation—Report—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **Minnesota Mining & Manufacturing Co.**

Pennsalt Chemical Corp.—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Plymouth Oil—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Ruberoid Company—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are reports on **Otis Elevator Co.** and **H. I. Thompson Fiber Glass Co.**

Spencer Chemical Co.—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Title Guarantee & Trust Co. — Bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Vanadium Corporation of America—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a list of **Convertible Preferred Stocks,** an analysis of **Neptune Meter Co.,** and a memorandum on **Radio Corporation of America.**

Walt Disney Productions—Analysis—T. L. Watson & Co., 25 Broad Street, New York 4, N. Y.

Western Nuclear Corp.—Memorandum—Bosworth, Sullivan & Co., 660 Seventeenth Street, Denver 2, Colo.

Wolf & Dessauer Co.—Memorandum—Fulton Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

F. W. Woolworth & Co.—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **Twentieth Century-Fox.**

Now S. D. Lunt & Co.

BUFFALO, N. Y.—The firm name of Lunt & Mitchell, Marine Trust Company Building, has been changed to S. D. Lunt & Co., following the death of Thomas W. Mitchell. The firm has memberships on the New York Stock Exchange and the American Stock Exchange. Branches are maintained in New York City, Norwich and Rochester.

Irving Lundborg Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Rudolf J. Domenie is now affiliated with Irving Lundborg & Co., 310 Sansome Street, members of the New York and Pacific Coast Stock Exchanges.

Four With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — David C. Elder, Miriam M. Moore, Edwin I. Sampson and George H. Roe have become associated with Reynolds & Co., 425 Montgomery Street. Mr. Elder was formerly with E. F. Hutton & Company; Mr. Roe was with Merrill Lynch, Pierce, Fenner & Smith.

Now With White, Weld

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Richard F. De Graca is now with White, Weld & Co., 111 Sutter Street. He was formerly with Irving Lundborg & Co. and Blyth & Co., Inc.

H. M. Byllesby Appoints Officials

CHICAGO, Ill.—H. M. Byllesby and Company, 135 South La Salle Street, has named Glen A. Darfler, Chicago, Dudley F. Holtman, Washington, and David L. Keith, Chicago, as Vice-Presidents and Frank G. Holtman, Washington, as Assistant Vice-President, it was announced by Franklin B. Schmick, President.

Glen A. Darfler

Mr. Darfler has been Manager of the Byllesby Trading Department. He was a former President of the Securities Traders Club of Chicago, and is at present Chairman of the Midwest Regional Quotation Committee and a member of the National Quotation Committee of the National Association of Securities Dealers. His appointment was made preparatory to expansion of the Trading Department.

Dudley Haltman has been Manager of the Washington office of Byllesby which he will continue to head.

Frank Holtman was a special agent of the Federal Bureau of Investigation prior to joining Byllesby.

Mr. Keith prior to his appointment headed a consulting firm to railroads, financial institutions, and consumer and production industries. He maintained offices in Chicago and Peoria. Mr. Keith will work on special analyses, corporate financing, acquisitions, mergers and divestments.

COMING EVENTS

In Investment Field

Aug. 21-22, 1958 (Denver, Colo.)
Bond Club of Denver - Rocky Mountain Group IBA 24th annual summer frolic at the Columbine Country Club.

Sept. 12, 1958 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at Elmhurst Country Club; preceded by dinner Sept. 11 at the University Club.

Sept. 18-19, 1958 (Cincinnati, Ohio)
Municipal Bond Dealers Group annual outing — cocktail and dinner party Thursday at Queen City Club; field day Friday at Maketewah Country Club.

Sept. 26, 1958 (Cleveland, Ohio)
Bond Club of Cleveland fall outing at the Cleveland Country Club.

Sept. 26, 1958 (Rockford, Ill.)
Rockford Securities Dealers Association annual "Fling-Ding" at the Mauh-Nah-Tee-See Country Club.

Participation in Canada's Growth Through Canadian Securities

By JAMES R. CLARKE*
Vice-President, The Dominion Securities Corporation
New York City

In a faceted description of the Canadian bond and stock market, foreign owned Canadian investment companies, and direct investment in Canadian companies and branches of foreign firms, Mr. Clarke explains attractiveness of these investment media to Americans. In view of Canada's ability to generate 93% of its capital requirement, he believes it is but a matter of time before Canadian investors will seek and obtain a portion of the ownership and profits of foreign corporations with wholly owned concerns in Canada. Refers to Toronto Stock Exchange volume and opening up of brokerage branches by U. S. A. and Canadian firms in each others country as evidence of increasing interest in Canada; dwells on tax advantage topic; and submits a selected list of Canadian stock.

A. Canadian Bonds

A study of Canadian bonds could be a very comprehensive subject if treated from an historical point of view. It is the purpose of this paper, however, to explain the current status of Canadian bonds and not their past history except as the past has an important bearing upon the present.


James R. Clarke

The total amount of funded debt of Canadian governments and corporations on Dec. 31, 1956 was $26,164 million (Table I). The total per capita funded debt of all Canadian governments and corporations on Dec. 31, 1956, was 1,604, as compared with $4,034 per capita for all public and corporation debts in the U. S. A.

Ownership of Funded Debt

Of the total Canadian funded debt of $26,164 million, $22,035 million, or 84.2%, was held in Canada; $3,294 million, or 12.6%, in the U. S. A., and $835 million, or 3.2% in the United Kingdom and other countries. In contrast with approximately 15.8% of the total funded debt held outside of Canada in 1956, about 34% was held abroad in 1936.

*From a talk by Mr. Clarke to the jointly sponsored University of Vermont and New York Financial Community 1958 Summer class in "Economics of Capital Formation" held in New York City.

A very substantial portion of the Canadian Federal, provincial and municipal government bonds held in the U. S. A. are owned by institutional investors inclosing insurance companies, pension funds and banks. Institutions also own the preponderant portion of railway and corporate bonds.

Post-War Placement of Canadian Bonds

In the ten years ended Dec. 31, 1955, the total net new issues of all classes of Canadian bonds, that is Federal, provincial, municipal, and corporate, amounted to $4,693 million. In order to show where these bonds were placed, Table II has been prepared.

The table clearly shows that in the first five years of the period there were net retirements of Canadian bonds both in the U. S. A. and in London and heavy net new issues placed within Canada. In the last seven years, however, approximately 25% of the net new Canadian issues were placed in the U. S. A. In 1957 the total new Canadian provincial, municipal, and corporate issues, less retirements, placed abroad (almost entirely in U. S. A.) amounted to $574 million or more than 35% of the total. The percentage of net new issues placed abroad again is running at a high rate.

The vast majority of Canadian bonds placed in the U. S. A. are payable in U. S. dollars. When Canadian bonds are sold in the U. S. A. it is because interest rates are more attractive to the borrower in this country than in Canada.

TABLE I

	Amount	Per Cent
Federal, direct and guaranteed	$12,886,000,000	49%
Provincial, direct and guaranteed	4,105,000,000	16
Municipal	2,498,000,000	10
Sub-total governments	$19,489,000,000	75%
Stearn Railway	1,371,000,000	5
Other Corporations	5,304,000,000	20
Total	$26,164,000,000	100%

TABLE II
Net New Issues or Retirement of Canadian Bonds
(Millions)

		Where Placed		
Period	Total	Canada	U.S.A.	Other
1946-50	$909	$1,563	—$474	—$180
1951-57	6,605	4,968	1,645	— 8
Total:	$7,514	$6,531	$1,171	—$188

TABLE III

	Interest Rates		
As at end of December:	Canada	U.S.A.	Spread
1950	2.92%	2.45%	.47
1951	3.48	2.70	.78
1952	3.60	2.77	.83
1953	3.63	2.78	.85
1954	2.95	2.57	.38
1955	3.39	2.89	.50
1956	3.98	3.44	.54
1957	3.66	3.07	.59
July 17, 1958	3.55	3.10	.45

Trend of Interest Rates

For the four years ended Dec. 31, 1953, interest rates in Canada were materially higher than in the U. S. A. During the first seven months of 1955, however, the spread began to narrow until interest rates in Canada became very close to those in the United States. After July, 1955, the spread again widened and has remained that way up to the present. Table III uses Canada 2¾ of June 15, 1967-63 and United States 2½ of Dec. 15, 1967-72.

Not only were interest rates more favorable in the U. S. A. than in Canada in 1950 and 1951 but at the same time the Canadian dollar was at a substantial discount, a fact which enabled the borrower to convert his U. S. dollars into Canadian dollars at a very profitable premium. Since February, 1952, the Canadian dollar has been at a premium which meant that the Canadian borrower received less Canadian dollars than the U. S. dollars which he borrowed. When interest rates in the two countries approach the same level but the Canadian dollar remains at a premium the advantages of borrowing in the United States disappear.

Some Characteristics of Canadian Bonds

Canadian bonds of all kinds are very similar to comparable bonds in the United States. There are certain differences which will be brought out in the following paragraphs.

(a) **Government of Canada Bonds:**—These bonds are general obligations of the Government of Canada and are similar to the obligations of the Government of the United States. No taxes are withheld at the source against interest paid on these bonds, or on bonds guaranteed by the Government of Canada.

(b) **Provincial Bonds:**—The bonds of each of the provinces are also general obligations of the province which issues them. Principal source of provincial revenue are: gasoline taxes, motor vehicle licenses and fees, the Federal subsidies in lieu of income and corporation taxes, taxes against natural resources including stumpage fees and oil and mineral royalties, profits of revenue-producing enterprises, and to a small extent real estate taxes. No taxes are withheld from provincial bonds payable in U. S. dollars but a 5% tax is withheld from interest payable in Canadian funds only.

(c) **Municipal Bonds:**—Municipal bonds are very similar to municipal bonds in the U. S. A. When held by a non-resident no tax is withheld by Canada if bonds are payable in U. S. dollars but a 15% tax is withheld if the bonds are payable in Canada only.

(d) **Corporation Bonds:**—These are very similar to corporation bonds in the United States. Some are first mortgage and others debentures. On corporation bonds held by a non-resident no tax is withheld if payable in U. S. dollars, but a 15% tax is withheld if payable in Canadian dollars.

(e) **No Tax Free Bonds In Canada:**—Unlike state and municipal bonds in the United States provincial and municipal bonds in Canada are not tax free.

B. Direct Investments in Canada

Unlike the definite records which each year show the total amount of Canadian bonds outstanding, there are no statistics available at this time which may be used as a precise guide to the total equity invested in the industrial sector of the economy. The Dominion Bureau of Statistics, however, has made certain estimates of the importance of foreign ownership of selected Canadian industries relative to total ownership. The most recent estimate is for 1954 but it is believed that it applies to current conditions.

Non-resident ownership in Canadian manufacturing, mining (including smelting and petroleum exploration and development) steam railways, utilities and merchandising amounted in 1954 to 32% of total ownership. This compared with 38% in 1939. The basis of the figures which support these ratios do not include investment in farms, real estate and other unincorporated businesses which are owned almost exclusively by Canadians.

The total long term and short term foreign capital, bonds and equity invested in Canada at the end of 1956 has been estimated at $16.7 billion of which $12.4 billion or 75% is owned in the U. S. A. Of the total American investment, $7.4 billion or 60% were direct investments in controlled Canadian subsidiaries and branches of U. S. corporations and businesses. If government and municipal bonds are eliminated from the total U. S. A. holdings, direct investments in 1956 were 71%.

Importance of U. S. Direct Investment

Although figures are not available to give the details of the foreign long term investment in Canada at the end of 1957 or 1956, an analysis for 1955 may be used to show the importance of the

Continued on page 30

Senator Smathers' Views on New Transportation Policy Study

The following commentary by Senator Smathers of Florida, who was one of the principal architects of the recently-enacted Transportation Act of 1958, was received too late for publication in the "Chronicle" of August 14 which contained commentaries from ICC Chairman Howard Freas and heads of numerous railroads on the future prospects of the railroad industry.—EDITOR.

By HON. GEORGE SMATHERS

U. S. Senator from Florida

It is impossible now to anticipate the specific legislative fields in which the Surface Transportation Subcommittee will be most active in the future, but I do appreciate the opportunity to mention the following broad, general areas which are of continuing interest to us.

Sen. Geo. Smathers

First of all, the Subcommittee will receive later this year the annual report of the Interstate Commerce Commission. This report contains, among other things, specific legislative recommendations by the Commission.

The Subcommittee will study and work on whatever ICC suggestions we feel are in the public interest, looking toward eventual legislative enactment of those suggestions approved by the Committee.

During the 85th Congress we enacted many important measures which should prove valuable to the transportation industry. We will watch the operation of these measures with great interest, having in mind making such amendments and additions as appear necessary.

In the next several months I will also be interested to see whether or not representatives of all the various transportation media—railroads, water carriers, the airlines, pipelines and motor carriers—have any specific legislative suggestions or recommendations which would be in the public interest and in the interest of a sound national transportation system.

During the last session of this Congress we provided for a "study of the transportation policies in the United States." (S. Res. 303)

The authorization included the following:

(1) The need for regulation of transportation under present-day conditions and, if there is need for regulation, the type and character of that regulation. The hearings on the railroad situation show one thing above all else: the existence of substantial doubt concerning the efficacy of present transportation regulation. To ascertain the public interest in regulation, the burden should be placed on the public and the carriers to show why it is needed and to what extent. Critical answers to specific proposals for less regulation are required to settle the constant agitation for change and the resulting confusion in the public mind concerning the need and propriety of Government regulation of transportation under prevailing conditions;

(2) The area of Federal policy dealing with Government assistance provided the various forms of transportation and the desirability of a system of users' charges to be assessed against those using such facilities;

(3) The subject of the ownership of one form of transportation by another. Such ownership, except in unusual cases, is generally either forbidden or made extremely difficult under existing statutes;

(4) Examination of Federal policy on the subject of large-scale consolidations and mergers in the railroad industry;

(5) Policy considerations for the kind and amount of railroad passenger service necessary to serve the public and provide for the national defense;

(6) The problems arising from action by the Interstate Commerce Commission in permitting the charge of more for a short than a long transportation haul over the same line in the same direction; and

(7) Additional matters of Federal regulation (and exemption therefrom) and Federal promotional policy in regard to the various forms of transportation.

The Surface Transportation Subcommittee has its work cut out for it. We will continue to weigh each possible legislative measure or recommendation in the light of this standard—". . . is it good for a sound national transportation system and is it in the public interest."

By W. S. MORRIS

President, Alco Products, Incorporated

[The statement of Mr. Morris as published in our issue of August 14 inadvertently contained the picture of the wrong "William S. Morris" and is being repeated here because of that unfortunate error.—EDITOR.]

Principally because of a good backlog of orders for export, ALCO finds its locomotive operations in excellent condition at this mid-year period. All indications are that the company's present satisfactory level of shipments will be maintained for the remainder of this year and into the first quarter of 1959.

W. S. Morris

We feel that these basically sound operations can't help but accrue to the benefit of the domestic railroads when they rebound from the current recession. With a resumption of volume traffic, the railroads will need to replace existing power and expand their pools of locomotives with both new and rebuilt units. At that time, they will find a locomotive industry completely ready to fill their needs. This is because the principal manufacturers have managed to maintain full operations through the recession by their success in competing with builders in all parts of the world for fleet-locomotive orders.

We at ALCO have faith in the railroads, and have demonstrated this many times over in recent years. In 1955, we introduced a completely new diesel engine to the industry, and we followed up a year later with an all-new line of locomotives. This action was climaxed last spring when the company completed the most modern locomotive-manufacturing plant in the world, costing more than $4,000,000, at our Schenectady plant.

We are sure that the railroads will continue as an important factor in the lifeblood of the nation, and are standing by to meet their requirements.

Railroad Securities

Seaboard Air Line

Seaboard Air Line continues to have long-term growth possibilities because of the nature of the territory served. Expanding population, increased building activity and location of new manufacturing companies has continued to add to traffic potential.

Traffic in June was 2.3% above the comparable 1957 period and indications are that the worst year-to-year declines have been seen. The road has not been as adversely affected by the business recession as a number of other carriers in different territory since it is not as highly dependent upon heavy industry. However, weather conditions last winter kept traffic down in the first quarter of the year.

Carloadings in recent weeks have begun to show improvement. This is particularly true of shipments of paper products and phosphate rock. The latter has contributed substantially to the growth in revenues of the Seaboard. Housing starts also have turned upward and it is expected lumber and building materials traffic will expand. In addition, other industries are growing. Two cement plants are expected to be completed shortly and other plants are expanding as well as warehouses which will mean additional traffic in the future.

With the expansion of the service district, revenues have increased at a fairly fast pace in recent years, with noted gains since 1950. The gain in freight revenues has been made in the face of declining passenger business and with some drop in 1952 as a result of a change in the division of through rates with the Northeastern States.

Although at one time Florida traffic mainly was outbound, consisting of fruits and vegetables, an improving balance is developing. This reflects increased shipments of consumer products as well as building material supplies. Of course, outbound traffic has been increased by larger phosphate rock and lumber shipments.

Seaboard is faced with a high degree of competition from trucks. To meet this, Seaboard has reduced rates on citrus fruit volume as well as for canned goods and frozen citrus concentrates. It also is hoped that the removal of excise taxes on freight shipments will bring back additional traffic to the road. It will be interesting to note if the new legislation recently enacted and signed into law to tighten agricultural exemptions will further improve its competitive position.

The financial condition of the road remains satisfactory despite large expenditures for new equipment. As of May 31, cash items amounted to $17,852,000 and current liabilities were $21,720,000. Net working capital was $20,522,000 down from $28,452,000 a year earlier. Capital expenditures through May were larger than in the comparable 1957 period. It is expected that these outlays will be curtailed in coming months which should ease the drain on cash resources. Depreciation charges this year will exceed maturing equipment obligations and sinking fund requirements by about $1,500,000.

While revenue gains have been larger than for most roads, rising costs have kept the increase from flowing through to net income. The transportation ratio has constantly been increasing in recent years. This has taken place in the face of complete dieselization, new yards and other modernization of the property.

Midwest Exch. Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected Jerry Thomas, Jerry Thomas & Co., Inc. of Palm Beach, Florida, to membership in the Exchange.

Continued from page 4

Investment Notes On Pleasure Boats And Marina Garages

berth, preferably located in a bay, inlet, cove or tributary stream. It should have slips or moorings for the home fleet and adequate surplus space for transients. It should have shore electric power and running water at boatside, convenient fuel stations, a store for the sale of ship supplies, groceries and ice. Further facilities should include personnel for hull or engine repair, washing down boats, and garbage disposal. The wives of weekend mariners frequently get fed up with the grub detail and with cramped sleeping quarters aboard. Hence, marinas offering bar, restaurant and hotel service are eagerly sought out. Finally, marinas with an eye to year-round, and not five months', revenue should have a layout for hauling, painting, winter storage (preferably covered) and engine overhaul; and perhaps for the sale of boats and engines.

The profitability of marinas is increasingly attracting persons with capital. Groups have been formed to finance them, and some institutional lending on land and structures has been arranged, although as yet there has been little public financing. Some of the big oil companies, particularly Gulf, Texaco, Socony and Esso, have been aggressive in developing marina gallonage and can offer some help in financing the fuel station.

This piece couldn't begin to cover the subject. It does serve to outline the magnitude and the lure of pleasure power boating. With congested highways, and much of the romance taken out of motor trips, a new travel mode is burgeoning among us—the water trip, calm, uncrowded, unhurried and relaxing—and made the more pleasant by sleek modern craft, high powered motors, and hospitable marinas as snug havens for mooring at the end of a day, or a voyage.

Coughtry V.-P. of Lehman Corporation

The election of Lloyd S. Coughtry as a Vice-President of The Lehman Corporation, 1 William St., New York City has been announced by Robert Lehman, President; and Monroe C. Gutman, Chairman of the Executive Committee, of the investment company. Mr. Coughtry, heretofore Assistant Vice-President, has been a senior analyst on the executive staff of The Lehman Corporation since he became associated with the company shortly after the close of World War II. Prior to the war he was with the United States Trust Company of New York.

Lloyd S. Coughtry

Two With Hooper-Kimball

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edward Herlihy and Charles F. Nason have become associated with Hooper-Kimball, Inc., 50 Congress Street. Mr. Herlihy was formerly with Chace, Whiteside & Winslow and Draper, Sears & Co. Mr. Nason was with Coffin & Burr, Inc., in Portland, Me.

Promoting Peace and Progress In the Middle East

By HON. DWIGHT D. EISENHOWER*
President of the United States

The economic key in a six-point single peace plan for Mideast proposed by our Chief Executive, in making his second appearance before the U. N. Assembly, is an "Arab development institution on a regional basis." The President suggests the Arab States must provide the leadership and govern this regional institution themselves and, as a condition for U. S. A. assistance, furnish self-aid support with their own resources. The other five areas of action, submitted for U. N. consideration, deal with Lebanon, Jordan, subversive fomentation of civil strife from without, a standby U. N. peace force, and steps to avoid arms race spiral in this area. Opines regional institution can be realized on a basis which would attract international capital, both public and private.

It has been almost five years since I had the honor of addressing this Assembly. I then spoke of atomic power and urged that we should find the way by which the miraculous inventiveness of man should not be dedicated to his death but consecrated to his life. Since then great strides have been taken in the use of atomic energy for peaceful purposes. Tragically little has been done to eliminate the use of atomic and nuclear power for weapons purposes.

Pres. Eisenhower

That is a danger.

I

That danger in turn gives rise to another danger — the danger that nations under aggressive leadership will seek to exploit man's horror of war by confronting the nations, particularly small nations, with an apparent choice between supine surrender, or war.

This tactic reappeared during the recent Near East crisis.

Some might call it "ballistic blackmail."

In most communities it is illegal to cry "fire" in a crowded assembly. Should it not be considered serious international misconduct to manufacture a general war scare in an effort to achieve local political aims?

Pressures such as these will never be successfully practiced against America, but they do create dangers which could affect each and every one of us. That is why I have asked for the privilege of again addressing you.

The immediate reason is two small countries — Lebanon and Jordan.

The cause is one of universal concern.

The lawful and freely elected Government of Lebanon, feeling itself endangered by civil strife fomented from without, sent the United States a desperate call for help. We responded to that call.

On the basis of that response an effort has been made to create a war hysteria. The impression is sought to be created that if small nations are assisted in their desire to survive, that endangers the peace.

This is truly an "upside down" portrayal. If it is made an international crime to help a small nation maintain its independence, then indeed the possibilities of conquest are unlimited. We will have nullified the provision of our Charter which recognizes the inherent right of collective self-defense. We will have let loose forces that could generate disasters.

The United Nations has, of course, a primary responsibility to maintain not only international peace but also "security." That is an important fact. But we must not evade a second fact, namely, that in the circumstances of the world since 1945, the United Nations has sometimes been blocked in its attempt to fulfill that function.

Respect for the liberty and freedom of all nations has always been a guiding principle of the United States. This respect has been consistently demonstrated by our unswerving adherence to the principles of the Charter, particularly in its opposition to aggression, direct or indirect. Sometimes we have made that demonstration in terms of collective measures called for by the United Nations. Sometimes we have done so pursuant to what the Charter calls "the inherent right of collective self-defense."

I recall the moments of clear danger we have faced since the end of the Second World War—Iran, Greece and Turkey, the Berlin blockade, Korea, the Straits of Taiwan.

Checking Direct and Indirect Aggression

A common principle guided the position of the United States on all of these occasions. That principle was that aggression, direct or indirect, must be checked before it gathered sufficient momentum to destroy us all—aggressor and defender alike.

It was this principle that was applied once again when the urgent appeals of the governments of Lebanon and Jordan were answered.

I would be less than candid if I did not tell you that the United States reserves, within the spirit of the Charter, the right to answer the legitimate appeal of any nation, particularly small nations.

I doubt that a single free government in all the world would willingly forego the right to ask for help if its sovereignty were imperiled.

But I must again emphasize that the United States seeks always to keep within the spirit of the Charter.

Thus when President Truman responded in 1947 to the urgent plea of Greece, the United States stipulated that our assistance would be withdrawn whenever the United Nations felt that its action could take the place of ours.

Similarly, when the United States responded to the urgent plea of Lebanon, we went at once to the Security Council and sought United Nations assistance for Lebanon so as to permit the withdrawal of United States forces.

United Nations action would have been taken, the United States forces already withdrawn, had it not been that two resolutions, one proposed by the United States, the other proposed by the Government of Japan, failed to pass because of one negative vote—a veto.

But nothing that I have said is to be construed as indicating that I regard the *status quo* as sacrosanct. Change is indeed the law of life and progress. But when change reflects the will of the people, then change can and should be brought about in peaceful ways.

In this context the United States respects the right of every Arab nation of the Near East to live in freedom without domination from any source, far or near.

In the same context, we believe that the Charter of the United Nations places on all of us certain solemn obligations. Without respect for each other's sovereignty and the exercise of great care in the means by which new patterns of international life are achieved, the projection of the peaceful vision of the Charter would become a mockery.

II

Let me turn now specifically to the problem of Lebanon.

When the United States military assistance began moving into Lebanon, I reported to the American people that we had immediately reacted to the plea of Lebanon because the situation was such that only prompt action would suffice.

I repeat to you the solemn pledge I then made: Our assistance to Lebanon has but one single purpose—that is the purpose of the Charter and of such historic resolutions of the United Nations as the "Essentials for Peace" Resolution of 1949 and the "Peace through Deeds" Resolution of 1950. These denounce, as a form of aggression and as an international crime, the fomenting of civil strife in the interest of a foreign power.

We want to prevent that crime—or at least prevent its having fatal consequences. We have no other purpose whatsoever.

The United States troops will be totally withdrawn whenever this is requested by the duly constituted government of Lebanon or whenever, through action by the United Nations or otherwise, Lebanon is no longer exposed to the original danger.

It is my earnest hope that this Assembly, free of the veto, will consider how it can assure the continued independence and integrity of Lebanon, so that the political destiny of the Lebanese people will continue to lie in their own hands.

The United States Delegation will support measures to this end.

III

Another urgent problem is Jordan.

If we do not act promptly in Jordan a further dangerous crisis may result, for the method of indirect aggression discernible in Jordan may lead to conflicts endangering the peace.

We must recognize that peace in this area is fragile, and we must also recognize that the end of peace in Jordan could have consequences of a far-reaching nature. The United Nations has a particular responsibility in this matter, since it sponsored the Palestine Armistice Agreements upon which peace in the area rests and since it also sponsors the care of the Palestine refugees.

I hope this Assembly will be able to give expression to the interest of the United Nations in preserving the peace in Jordan.

IV

There is another matter which this Assembly should face in seeking to promote stability in the Near East. That is the question of inflammatory propaganda. The United Nations Assembly has on three occasions—in 1947, 1949 and 1950—passed Resolutions designed to stop the projecting of irresponsible broadcasts from one nation into the homes of citizens of other nations, thereby "fomenting civil strife and subverting the will of the people in any State." We all know that these resolutions have recently been violated in many directions in the Near East.

If we, the United States, have been at fault we stand ready to be corrected.

I believe that this Assembly should reaffirm its enunciated policy and should consider means for monitoring the radio broadcasts directed across national frontiers in the troubled Near East area and for examining complaints from these nations which consider their national security jeopardized by external propaganda.

V

The countries of this area should also be freed from armed pressure and infiltration coming across their borders. When such interference threatens they should be able to get from the United Nations prompt and effective action to help safeguard their independence. This requires that adequate machinery be available to make the United Nations presence manifest in the area of trouble.

Therefore I believe this Assembly should take action looking toward the creation of a standby United Nations Peace Force. The need for such a Force in being is clearly demonstrated by recent events involving imminent danger to the integrity of two of our members.

I understand that this general subject is to be discussed at the 13th General Assembly and that our distinguished Secretary-General has taken an initiative in this matter. Recent events clearly demonstrate that this is a matter for urgent and positive action.

VI

I have proposed four areas of action for the consideration of the Assembly—in respect to Lebanon, Jordan, subversive propaganda and a standby United Nations force. These measures, basically, are designed to do one thing: to preserve the right of a nation and its people to determine their own destiny, consistent with the obligation to respect the rights of others.

This clearly applies to the great surge of Arab nationalism.

Let me state the position of my country unmistakably. The peoples of the Arab nations of the Near East clearly possess the right of determining and expressing their own destiny. Other nations should not interfere so long as this expression is found in ways compatible with international peace and security.

However, here as in other areas we have an opportunity to share in a great international task. That is the task of assisting the peoples of that area, under programs which they may desire, to make further progress toward the goals of human welfare they have set. Only on the basis of progressing economies can truly independent governments sustain themselves.

This is a real challenge to the Arab people and to us all.

To help the Arab countries fulfill these aspirations, here is what I propose:

First—that consultations be immediately undertaken by the Secretary-General with the Arab nations of the Near East to ascertain whether an agreement can be

Continued on page 22

*An address by Pres. Eisenhower before the 3rd Special Emergency General Assembly of the United Nations, New York City, Aug. 13, 1958.

Glass Container Business Has a Solid Foundation

By RICHARD L. CHENEY*
Executive Director, Glass Container Manufacturers Institute, Inc. New York City

A glowing account of past three straight years of record high shipment of new glass containers and prospects that 1958 may be the fourth straight year is given by Mr. Cheney in pointing out that so far the industry is running contrary to the general business trends. Notes the industry entered billion dollar ranks last year; opines expanding population and need for food help make the industry's future look most attractive; and emphasizes continuing research progress in making glass more competitive.

The year just past — 1957— marked the third straight year that shipments of new glass containers in the United States reached an all - time high. And last year, too, shipments of new glass containers passed the twenty-billion mark for the first time. These 1957 shipments accounted for a dollar volume of $784,000,000. When you add to this an additional $274,000,000 for the closures for these containers, the glass container business entered for the first time in 1957 the ranks of those doing over a billion dollars a year.


Richard L. Cheney

Accounting for approximately 8% (or 10% if you include closures) of a total packaging industry volume of more than $10,000,000,000, glass containers rank behind paper and fiber and steel containers, but well ahead of wooden, plastic, and aluminum packaging.

Glass Container Uses

Just where do all these billions of new glass containers go? Some 41% are used to package food; about 25% for beverages; another 25% for drugs and cosmetics; and about 9% for household and industrial chemicals. Incidentally, none of these figures include export which accounted last year for an additional half-billion containers—or slightly more than 2% of total output.

Of course these industry end-use figures are really very broad categories. Each one of them covers a number of very large and important industries. Foods, for example, run through such major classifications as spices, jams and jellies, salad dressings, vegetable oil, syrups, fruits and vegetables (including baby foods), soluble coffee and many, many others. Having "super industries" of this type as customers assures our business, we believe, of a certain stability. No matter how tough things are, people **must** eat.

From the standpoint of growth, then, these industries represent a cross section of the broadest kind of mass market—the kind of market that stands to benefit greatly from an expanding population.

Right now American business is undergoing some recession. But, perhaps because of the factors just mentioned, we in the glass container business have not yet begun to feel its effects. We have just completed totaling shipment figures from our member companies (representing about 92% of all U. S. shipments) for the first quarter of 1958. They show that glass container shipments established a new all-time quarterly high of some 4.3 billion units—3.6% above the 4.1 billion units reported for the comparable period in 1957.

Most (but not all) of the increase was in shipments of soft drink bottles—returnable bottles increased 81% and non-returnables increased 14.3%. Food containers reached 1.8 billion units, up about 1% over the first quarter of 1957. So, in summary, our business continues to do well—running contrary at the moment to general business trends.

Continuing Research

I might say that our business keeps a close watch on the markets for glass containers. We carry on intensive and continuing studies of consumer attitudes. We not only know what people prefer now in packaging, but what they liked a year ago, and we hope we know what they will like next year. Let me cite an example to indicate the importance of this. Our research showed, as early as 1954, that there was a large unsatisfied preference for glass packaging for intermittent use products such as spices, ice cream toppings, ripe olives, instant products and salad oils. With the design of the proper sizes and styles of glass containers, salad oil and instant coffee are virtually all glass-packed, and now the packers of spices are also moving rapidly into glass.

And we are constantly working on our manufacturing processes to be sure that we keep glass containers competitive economically. I told you that life begins at 40. But I can also tell you that 99% of the glass products made in the United States today are made by processes that were unknown at the turn of the century.

Bottles are whirled off our machinery at the rate of some 250 per minute. Some 25 years ago similar machines could only produce 30 to 40 a minute. Changes like this are accomplished only by continuing hard work and study, and this activity still goes on throughout our business. Many of our people see the day approaching when these machines will make as many as 700 or more units per minute, and some of them have set a goal of doubling the number of containers without any increase in floor space within 10 years.

Improvements like these and some of the others I am going to discuss did not come easily. As a matter of fact, the glass container industry has spent an estimated $100,000,000 on research over the last 10 years.

The business is working steadily, and with great progress, toward achieving greater strength with less weight. The typical prewar quart bottle weighed some 22 to 24 ounces; the same bottle today weighs 15 to 17 ounces. Quart jars that weighed 18 or 20 ounces 25 years ago today weigh 11 to 13 ounces. In general, the glass containers of 25 years ago weighed one-and-a-half times as much as the same containers today. And today's product is much stronger.

As you probably know, advancements making possible the further lightening of wide-mouth jars by 20% were announced a year or so ago, and I can tell you know, that market tests are currently under way covering no - deposit beer bottles weighing 14% less than the present ones.

The fact is, that we are only utilizing today in glass containers about 1% of the measurable laboratory strength of glass. It is well known that ordinary glass fibers show tensile strengths in excess of 300,000 pounds per square inch. They are far stronger than steel. Our goal is to raise our utilization of the inherent strength of our material from the present 1% to 10%. But for the cost factor, it might be possible to increase our strength utilization by five or six times within the next three years. Certainly this can be done within 10 years on a practical basis. This obviously means lighter and much stronger glass containers.

How these advances will come about is unknown, except perhaps to the research scientists, but the recent announcement of that amazing new product, "Pyroceram," a glass-derived substance which is said to be harder than carbon steel, lighter than aluminum, and as strong as bronze, certainly constitutes a scientific break-through in our knowledge of the strength-secrets of glass. It confirms our confidence in the future of this amazing packaging material—glass.

Coatings and other surface treatments applied to glass are receiving intensive research attention from companies in the glass container field. They are designed to conserve, protect and renew the tremendous strength that lies in the surface of glass. They facilitate faster handling in the filling lines and play an important part in increasing the effective strength of containers.

Solid Foundation in Glass

So, with 4,000 years experience as an art and craft, and with about 40 years in mass production, we feel the glass container business has a solid foundation. We occupy an important segment of a dynamic packaging industry. But we are not resting on any past reputation. We are working constantly to extend the assets and limit the liabilities of glass containers. We are convinced that our greatest accomplishments lie in the future.

*From a talk by Mr. Cheney before the New York Society of Security Analysts, New York City.

W. J. McGregor With Wm. H. Tegtmeyer Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William J. McGregor has become associated with Wm. H. Tegtmeyer & Co., 39 South La Salle Street. Mr. McGregor was formerly in the industrial stock department of Swift, Henke & Co.


William J. McGregor

With Lloyd Arnold

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William Davenport is with Lloyd Arnold & Co., 364 North Camden Drive.

Joins Fabian Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Paul Wilder is now with Fabian & Co., 9500 Santa Monica Boulevard.

Unique Three -Way Partnership Formed To Help Finance Puerto Rican Business

Involves public and private capital, and guidance from James Talcott, Inc.

A unique three-way partnership involving the Government of Puerto Rico, private Puerto Rican investors and a large American commercial finance company, was formed Aug. 19 to provide credit to fast-growing small business in the Commonwealth and to smooth the way for expanded industrial production there.


Herbert R. Silverman Rafael Durand

At the same time, its sponsors said the plan establishes a pattern that can be followed in other countries seeking to encourage and enlarge manufacturing and business activity.

The partnership was announced at a joint press conference held by the Puerto Rican Economic Development Administration and James Talcott, Inc. Talcott, one of the nation's oldest and largest commercial financing and factoring organizations, has agreed to provide management know - how, manpower and technical assistance to the newly formed National Credit Corporation, the island's first commercial and industrial financing firm.

National Credit, organized with capital supplied by private Puerto Rican investors, will be headed by Luis Martinez and Julio O. Morales. The Puerto Rican Government, through EDA's financial arm, the Puerto Rico Industrial Development Co. (PRIDCO), will also supply funds.

National Credit will supply revolving working funds to manufacturers, dealers and distributors through the financing of accounts receivable, inventory and machinery and equipment. Previously, this type of financing was available only in limited amounts from local banks or branches of U. S. banks.

Of National Credit's original capital of $650,000, a group headed by Messrs. Martinez and Morales contributed $400,000 with the Puerto Rican Government investing $250,000.

Talcott's role in the partnership will be to train and guide National's personnel in the day-to-day operations of a credit organization, and to assist the company in finding opportunities for the profitable employment of its capital. Talcott will have the option of rediscounting National's receivables.

Herbert R. Silverman, Talcott President, said:

"Puerto Rico's gross national product has risen at a faster rate than that of the continental United States over the past decade, without any commercial finance company participation. With additional funds available to manufacturers there, future growth possibilities will be even more impressive. This partnership is another practical example of free enterprise in operation, with a Government stimulating business expansion, not controlling or hampering it. Talcott is proud to have been chosen to assist National Credit in a venture that will fill a crucial gap in Puerto Rico's industrial development picture.

"The arrangement is important not only to the people of Puerto Rico, but to the people of many countries throughout Latin America, for it suggests a pattern which may be applied in similar cases where a nation has specific industrial and commercial goals," he said.

Rafael Durand, Executive Director of Puerto Rico's Economic Development Administration, said:

"I couldn't think of a better example than the establishment of Puerto Rico's first commercial and industrial finance company as additional evidence that the Commonwealth is no longer in an underdeveloped stage of economic growth. You just don't find this type of supplemental financing in a nondeveloping land.

"The truth of the matter is that in recent years Puerto Rico's development has accelerated at a tremendous pace, with its capital formation rate trailing only Canada and Venezuela in the Western Hemisphere.

"This rapid industrialization under the 'Operation Bootstrap' program has triggered a chain reaction consisting of growing purchasing power, and resultant sky-rocketing sales of consumer goods of all kinds. For example, since 1948 income from manufacturing has almost tripled to $125,000,000. As a result, Puerto Rico's average income per family has doubled to $2,500 which, in turn, has set off an 80% rise in retail spending and a 50% increase in wholesale volume."

Talcott, founded in 1854, is one of the few companies in the country engaged in all phases of industrial finance—accounts receivable financing, factoring, inventory financing, mortgage and equipment loans, rediscounting and commercial instalment financing. In 1957, the company processed nearly $750,000,000 in receivables.

"Operation Bootstrap" was launched approximately ten years ago. This is a program designed to make the island an industrial center, and features full exemption from all corporate income taxes, for a 10-year period, to companies in new or expanding industries approved under the Commonwealth's development program. Other advantages of the program have attracted more than 500 manufacturers to the island in recent years and its gross national product—the total amount of goods and services produced—has almost doubled in the past ten years.

Stockton Broome Jr. With First Fidelity

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Stockton Broome Jr. and Robert A. Hamby have become associated with First Fidelity Securities Corp., 11 Pryor Street, S. W. Mr. Broome was formerly an officer of Stockton Broome & Co.

With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Joseph F. Black is now affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. He was formerly with H. Carroll & Co.

Guerdon Smith Opens

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Guerdon D. Smith is engaging in a securities business from offices at 595 East Colorado Boulevard under the firm name of Guerdon Smith & Co. Mr. Smith was formerly with J. Barth & Co.

Anti-Trust and Insurance

By HON. VICTOR R. HANSEN*
Assistant Attorney General of the United States in Charge of Anti-Trust Division
Department of Justice, Washington, D. C.

Federal anti-trust chief analyzes the interdictive effect of anti-trust laws and exemptions on the competitiveness of the insurance industry. Mr. Hansen deals with legality of rating bureaus and other practices under the 1945 McCarran Act, probes the state of health of competition in the industry, and reviews some of his department's investigations related to possible violations of anti-trust laws. Notes widely publicized Investors Diversified Services case has discouraged "tie-in" practices and reports receiving some other complaints.

We in the Anti-trust Division are aware of the importance of insurance in our private enterprise system. Importance, and we believe that there should not be unnecessary interference with the business of insurance.

Victor R. Hansen

On the other hand, however, I do feel that due to the very definite public interest involved, safeguards must be taken for the public's interest and safety. In addition to understanding the special problems of insurance, those persons responsible for its regulation should be aware of the part played by anti-trust in our free enterprise system.

The Sherman Act

Let me review briefly the concept underlying our primary anti-trust law, the Sherman Act. From its very beginning, this country accepted the basic philosophy that the public interest is best served by the existence of competitive conditions in our economy. This philosophy is based upon the premise that the unrestrained interaction of competitive forces will yield the lowest prices, the best allocation of our economic resources, the highest quality and the greatest material progress, while at the same time providing an environment conducive to the perservation of our democratic, social and political institutions. Your special interest in one of these products of competition, "low prices," is evidenced by the following quotation from this Conference program:

. Throughout the two and one-half day meeting heavy emphasis will be on cutting costs . . . on helping you make your insurance buying pay off as an expense reduction item for your company.

Thus all of you are affected in your work by the effectiveness of the procedures and policies used by the Anti-trust Division in ensuring that free and open competition rules the marts of trade. It was in accordance with this philosophy that Federal legislation was sought to meet the threat to "free enterprise" which developed during the period of industrial expansion following the Civil War. This traditional faith in the free enterprise system was given Federal legislative expression by the passage of the Sherman Act in 1890. For more than 60 years this statute, with minor changes and supplementation, has continued to reflect the national policy.

This Act states unequivocally that "every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade" is illegal and that "every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons to monopolize" trade shall be deemed guilty of a misdemeanor.[1] Basically there are two types of conduct which are outlawed by the Sherman Act —concerted action by two or more people to restrain trade, and monopolizing by one or a group of people.

Assuming that interstate commerce is affected, then Section 1 of the Sherman Act condemns every contract, combination in the form of trust or otherwise, or conspiracy which restrains trade. This Section hits at actions or activities engaged in by at least two people. The evil that Congress was seeking to prevent by this Section was the joint action of separate persons or firms or corporations which resulted in restraint of trade. The form of the concerted action was immaterial and Congress used the broadest words it could to strike down any joint action which restrained trade. Although at the time the Act was passed the so-called trust was the favorite business device for achieving joint action, the Sherman Act forbids combination "in the form of trusts or otherwise," together with contracts and conspiracies.

The second Section hits at a different type of offense—monopolizing. This can be done by one person and does not require the joint activity of independent entities the way the first Section does. There may be lawful monopolies, such as those growing out of valid patents, and there may be other monopolies which are not unlawful. But it violates the Sherman Act when someone acquires or maintains a monopoly over a part of interstate commerce.

The constitutional provision giving the Federal Government the power to regulate interstate and foreign commerce provided the basis for the enactment of the Sherman Act, and means that the Act can only be applied where interstate or foreign commerce is involved. As you know, the Supreme Court's interpretation of what constitutes interstate commerce has changed considerably, just as commerce itself has changed over the years.

Prior to 1944 the business of insurance was not considered to be subject to the authority which Congress derives from the Commerce Clause of the Constitution. This exemption stemmed mainly from the ruling in **Paul v. Virginia**[2] in 1869. An out-of-state insurance company had challenged Virginia's right to make it post a bond before issuing policies to Virginia citizens. The Supreme Court held that insurance policies were not articles of commerce and, therefore, state regulation did not interfere with any Federal authority.

In the 70 years which followed the **Paul** decision, the states exercised varying degrees of regulation and supervision. Despite this, by 1942 the national insurance scene was characterized by concerted activities and restraints on competition which the states were either unwilling or unable to cope with. In fact, the Attorney General of Missouri requested the Department of Justice to intervene after his own attempts to deal with rate-fixing conspiracies had failed.[3] This complaint, together with other complaints as to boycotts and other coercive activities in the southeastern states, resulted in the test case of **United States v. Southeastern Underwriters Association.**[4]

The membership of the Association, 198 private stock fire insurance companies and 27 individuals, had been indicted for conspiring to violate Sections 1 and 2 of the Sherman Act. It was charged in the indictment that the member companies of the Association controlled 90% of the fire insurance and "allied lines" sold by stock fire insurance companies in six states. The conspirators not only fixed premium rates and agents' commissions, but employed boycotts, together with other types of coercion and intimidation, to force non-member insurance companies into the conspiracies and to compel persons who needed insurance to buy only from Association members on Association terms. Non-member companies were cut off from the opportunity to reinsure their risks, and their services and facilities were disparaged. Those independent sales agencies who continued to represent non-Association companies were punished by a withdrawal of the right to represent Association members. Persons purchasing insurance from non-Association companies were threatened with boycotts and with withdrawal of all patronage. Inspection and rating bureaus and local groups of insurance agents policed these conspiracies.

The conspirators defended on the ground that they were not required to conform to the standards of business conduct established by the Sherman Act because the busines of fire insurance was not commerce. The United States District Court in Georgia upheld this defense on the authority of the **Paul** case. The Supreme Court reversed this decision, however, and held:

"No commercial enterprise of any kind which conducts its activities across state lines has been held to be wholly beyond the regulatory power of Congress under the Commerce Clause. We cannot make an exception of the business of insurance."[5]

Following this decision, determined efforts were made to persuade Congress to overrule it and to exempt insurance from the anti-trust laws. Instead, Congress passed the McCarran Act,[6] assuring that state regulation would continue unimpaired, but on terms designed to evolve a coordinated system of state and Federal control.

The Act provided for a three year partial moratorium for the insurance business from the operation of the Federal Anti-trust Laws so that the states would have time to draft regulatory measures. At the termination of this moratorium, the Sherman and other anti-trust acts became applicable to the business of insurance "to the extent that such business is not regulated by state law."[7] Thus the McCarran Act, recognizing that some practices which are usually forbidden to businessmen, such as rating bureaus, may be essential to sound insurance, declares such practices lawful if a state both authorizes and effectively supervises them.

Rating Bureaus

Responding to the invitation in the McCarran Act, almost all the states enacted new provisions regulating the business of insurance. These laws, in general, permit cooperative rate making through licensed rating bureaus, but incorporate certain provisions designed to preserve competition and to correct the abuses which brought about the Supreme Court's decision in the **South-Eastern Underwriters** case.

The general pattern of the state legislation enacted during the moratorium establishes the following principles:

(1) Reasonable competition in the insurance industry is neither prohibited nor discouraged.

(2) Uniformity in rates and rating systems is permitted but not required.

(3) No insurance company is required to become a member or subscriber of any rating bureau.

(4) Independent rate filings and rate deviations are permitted.

Recently there have been attempts in several states, either by proposed legislation or by state regulation to require complete uniformity in rates and policy forms. I do not wish to express any opinion as to the merits or validity of any specific state action. I would like to say, however, that to the extent that the state imposes strict conformity upon the insurance industry and eliminates or greatly restricts the area for independent action in rates and methods of operation, to that extent the underlying purpose of the McCarran Act—which is to preserve and protect healthy competition in the insurance industry—becomes undermined.

In addition to the coercive actions of lenders and insurance boards, which I will discuss later, we are also concerned with acts of coercion, intimidation and boycott in the activity of rating bureaus and their associated advisory bodies. Before discussing this, however, I should like to emphasize that the Anti-trust Division has no intention of encroaching upon those matters which are properly state regulatory problems; instead, it is our intention to be helpful to the insurance industry by pointing out pitfalls and areas of possible violation.

A recent writer[8] has described the antagonism of some rating bureaus toward attempts of their members or subscribers to deviate from the established rates and to pass on to the insuring public the results of economies in operation. If carried too far, such conduct may be regarded as coercive, and thus interdicted by the anti-trust laws. Examples of unreasonable interference with the right of an insurer to act independently in the matter of rates and rating practices might include harassing litigation, collective pressure upon lenders not to accept the policies of deviating companies, and collective attempts to deny the insurer access to statistical and rating services generally available to other insurers.

With respect to these rating bureaus and their advisory bodies, it should be noted that when an out-of-state insurance organization recommends the adoption of rates or standardized provisions in insurance underwriting in a state in which it has not filed as a rating bureau or as an advisory body, it may be engaged in illegal activities, and the acceptance of these recommendations by the local rating bureau may result in illegal price-fixing or other unreasonable restraints of trade.

Finally, state regulation means constitutionally valid regulation. With respect to some states, the question may be raised as to whether the grant of what can be considered governmental power to the private rating bureaus is so great as to be invalid on constitu-

Continued on page 20

*From an address by Mr. Hansen before the American Management Association, New York City.

1 26 Stat. 209 (1890), *as amended*, 15 U. S. C. §1 *et seq.* (Supp. IV, 1957).
2 79 U. S. (8 Wall.) 168 (1869).

3 Joint Hearings before Subcommittees of Committees on the Judiciary on S. 1362, H. R. 3269 and H. R. 3270, 78th Cong., 1st and 2d Sess. 25 (1943-1944).
4 322 U. S. 533 (1944).
5 *Id.* at 553.

6 59 Stat. 33 (1945). 15 U. S. C. §§1011-1015 (1952).
7 15 U. S. C. §1012 (b) (1195).

8 Ely, *Government Regulation of Insurance Marketing Practices*, 1954 Ins. L. J. 192.

Basic Investment Policy in A Bank's Trust Department

By MAY A. NAYLOR*
Trust Investment Officer
The First Pennsylvania Banking and Trust Co., Philadelphia, Pa.

Miss Naylor opines both small as well as large trust companies need an approved basic investment policy to guide their investment procedures. She holds such an investment policy should stipulate certain fundamentals (such as: quality list of investments, place of preferreds in portfolios, policy on maintaining purchasing power, formula and flexible investment timing plans, and management of a business) and should also allow agreed upon flexibility in diversification to fit changing economic conditions. The author, further, deals with operating policy covering: co-fidduciaries, nominee registration, common trust fund, proxies, rights, and when should policy be ignored.

As trustees, our investment function is the skillful care and management of property. If we are to exercise this skillful care, we must first determine what tools we need and what procedures to follow. One of the more important tools is the formulation of an *investment policy*.

May A. Naylor

What is an investment policy? It is a *guide* to be used in discussions and actions in the management of investments. Remember here that we have said it is a *guide*.

Need for an Investment Policy

What advantages are there in having such a policy? What advantages for the trust and the trustee? The advantages for the trustee apply to the smaller trust company as well as the larger one.

One of the major advantages is that it represents group judgment. Any policy should be formulated only after a thorough discussion. As we all know, a discussion of this kind brings forth different ideas, some a challenge and a stimulation for a little more analysis. The result—a policy representing the best thoughts of the group; a keener understanding of the investment objectives; a willingness to follow an investment policy in which the investment man has had some part. Group judgment can be achieved only if everyone is willing to express their views.

A second advantage is uniformity. A formal investment policy means the uniform application of group judgment to all accounts. If several individuals are reviewing accounts, several patterns of investments would probably result which *could* be at least embarrassing to the bank or perhaps worse. If one individual were conservative, perhaps reluctant to take any risks, you might find a preponderant amount of triple A bonds. Another individual, in the same institution, might be more forward looking, aware of the rewards of good common stocks. We must admit that all individuals' abilities vary, but an investment policy here would tend to use the best of each man's thinking and apply it to all accounts.

Policy Should Be Flexible

Flexibility is a must. No investment policy should ever be considered so sacrosanct that it cannot be changed or considered not applicable. What conditions can we foresee which would indicate a change? The first is economic. Broad changes in the economy indicate changes not only in individual securities but in our overall investment policy. Take the change in interest rates which has occurred since 1946. High-grade corporates then had an average yield of 2.51%, but by November 1957 this had climbed to 4.17%, with only .58% difference between the bond yield and that on commons (S. & P. composite). Certainly this change makes bonds more attractive and would indicate a change in overall policy.

The second reason for flexibility lies in the individual trusts. Whether the bank is sole trustee or whether there is a co-trustee, there are some trusts which simply cannot be made to conform to the overall policy. It may be because of the needs of that particular trust, or it may be that a co-trustee has an emotional attachment for some particular security, but the end result is that an exception will have to be made.

We have arbitrarily divided the subjects to be covered by investment policy into two groups fundamental and variable. Let us take the fundamental group first.

Fundamental Investment Policy

(1) One of the most important is the *general quality of investments*. This means the selection of the individual securities. One of the easiest ways to decide on quality is to have what we call an Approved List. This is a list of investments which because of earnings record, type of business, good management, and favorable outlook have sufficient quality to be purchased in trusts. What I am speaking of now is a quality list, *not* one which represents a "best buy" at any particular time.

The mechanics are this. If you are going to initiate this, then you begin by gradually adding to the list each company you review which seems to qualify. Bonds are not difficult and certainly there are enough commons to form a modest list in the beginning — General Motors, General Electric, du Pont, Eastman Kodak, Standard of New Jersey, some utilities, bank stocks. Having compiled a list, it should be reviewed regularly. The Approved List concept has many advantages: (1) new investments are in securities where all are in agreement on quality — group judgment; (2) it can be used as a guide so that substandard securities can be weeded out. This will ultimately benefit the trust through having higher quality securities and it benefits the trustee by restricting the list of securities over which the regular reviews must be spread.

(2) *Preferred Stocks* — Perhaps you wonder why this should be included as a subject for policy. It is because there is a great difference of opinion as to the place of preferreds in portfolios. They are considered to be hybrids with the fixed income and call price of bonds, but no maturity and they come after the tax collector. On the other hand they provide stability of income and freedom from the Pennsylvania Personal Property Tax. As an example of the difference of opinion, look at the spread in preferred percentages in some of the college endowment funds—from a low of .6% to a high of 13.8%. This is also true of the common trust funds as compiled by the Federal Reserve and published in the May 1958 issue of the Federal Reserve Bulletin.

Common Trust Funds

Investment Holdings by Federal Reserve District 1957*

	Bonds & Cash	Pfds.	Com.	Real Est. Loans, etc.
All Districts	41%	10%	48%	1%
Boston	38	4	58	--
New York	50	5	44	1
Philadelphia	30	23	47	--
Cleveland	46	13	40	1
Richmond	37	6	48	9
Atlanta	44	14	39	3
Chicago	47	6	47	--
St. Louis	41	2	54	3
Minneapolis	47	2	51	--
Kansas City	38	5	43	14
Dallas	38	10	50	2
San Fran.	39	5	54	1

*Reporting dates range from Oct. 10 through Dec. 31, 1957.

Note the percentage of preferreds in the Philadelphia and Cleveland (includes Pittsburgh) Districts compared with some of the other cities which seems to reflect the influence of the Pennsylvania Personal Property Tax. I happen to think preferreds have their place in trusts, especially where you are straining for income. Take (at the time of this writing) the du Pont preferreds —the $4.50 is selling about 110 to yield 4.1% free of Pennsylvania Personal Property Tax. It is callable at 120 and has no debt ahead of it. In my opinion, this stock has great merit.

(3) *Maintenance of Purchasing Power* — You have heard many discussions of this. It is not a case of either conservation of principal *or* maintenance of purchasing power. In our opinion, the two can be combined which generally means the purchase of common stocks. We as trustees have our major obligation to conserve principal but we also have a duty to our life tenants. The easy way is to stick to the triple A's which involves little risk. On the other hand, buying sound commons will involve more risk for the trustee, but it can be considered good management and will undoubtedly be welcomed by the life tenant. A clear policy on this aspect of investment policy must be formulated.

(4) *Investment Timing* — This refers to the method used to change investments in portfolio management. It refers to timing only and not selection. We shall cover two plans, one called the *Formula Plan*, the other we shall call the *Flexible Plan*.

Let us take the Formula Plan first. It is an automatic device to act in accordance with some predetermined plan to exploit the rise and fall of security prices. It may be that stocks are bought or sold when the averages are in certain areas. Another formula is the maintenance of a constant ratio of bonds and stocks. In a rising common market appreciation may carry your common percentage to say 65% so that if your ratio is 55%-45%, enough commons will be sold to reduce it to 55%. There are other formulas which may be adopted.

The other method is one we shall call flexible. It does not operate according to some predetermined plan. Rather, all investment moves are made after reviewing current conditions. Here it is important to distinguish between conditions indicating a trend and those which may be only a minor flurry.

An advantage of the formula plan is that at least some stocks are sold at high prices in a rising market, but adherence to any formula plan requires firmness. The flexible plan also has advantages in that changes are made in accordance with current conditions, but here also firmness is necessary in keeping in mind the long-term as well as the short-term outlook.

(5) *Mortgage Qualifications* — We shall not go into detailed discussions on real estate and mortgages other than to say that it is a subject about which there should be a policy on terms, quality and types.

(6) *Business Interests* —

(a) This is an area where just now there is great interest and some diversity of opinion. There are probably some who have not had this problem. Business interests in trusts are frequently difficult. Sometimes it involves management of a business, somethimes valuations for possible sale, and always valuations for tax purposes. Trustees are not always prepared to assume these responsibilities, but the alternative is to refuse such accounts which is not always advisable. This is a situation where most trustees cannot adopt a policy of "take none" or "take all." Perhaps the best they can do is to have a policy of being selective. This is a compromise between eliminating those cases which would be too costly and at the same time accepting those which lie within our ability to service with benefit to the trust and the trustee.

(b) *Compensation* — We have just mentioned the problems connected with business interests. These problems take time, usually senior officers' time and all banks should have a clear policy on adequate compensation for this additional work.

(7) *Policy on Your Own Stock*— In many accounts we receive our own stock. If the instrument specifically states that we can continue to hold this stock we are protected. If, however, the instrument is silent, we are then face to face with a problem. We are too close to our operations to exercise objective opinions. The conservative policy would be to sell except where specific right of retention is given or where other individual aspects of a trust would make it inadvisable. Whatever a trustee may decide it should set a firm policy on this subject.

Variable Investment Policy

Variable Policies refers to diversification. We have touched on this when we discussed the flexibility necessary in any investment policy, also under investment timing. To repeat — the direct cause of variations would be economic changes. This is exemplified by changes in diversification of one fund or group of funds. One fund of which I have knowledge had this diversification on June 30, 1946: 40% in bonds, 31% in preferreds, and 29% in commons. During 1946 the Dow-Jones Industrial Average was 191.65. By July 1957 when the Dow-Jones was above 500, the common percentage had climbed to more than 50%.

In the latter part of 1957 we saw the interest rates, which had been in a rising trend, culminate in new bonds with large coupons — Pacific Telephone & Telegraph 5⅛'s-1980, Philadelphia Electric 4⅝'s-1987. Moreover, many corporate bonds issued at this time had non-callable features for specific periods or were non-refundable with lower coupons. A situation like this, with high bond yields and some of our growth stocks yielding 3% or less, certainly calls for a reappraisal of our ratios. The fund to which we referred had increased its bonds and decreased common to less than 50%.

In an outline we can separate this into (1) accounts invested and (2) new accounts. This is not a dual policy but certain aspects of the older, invested account must be considered. The common may have been purchased at low prices so that the current high percentage would be appreciation. Any cutback would subject this account to capital gains taxes so that a somewhat higher percentage would be permitted in these. With new money, in a period of high prices, a more cautious program could be followed.

Other Considerations

Operating features in an investment policy should cover these important considerations:

(1) *Co-Fiduciaries* — We must develop some policy in our relations with co-fiduciaries. We share responsibility but we must always remember that there will be times when we cannot compromise and must remain firm. If such a policy is developed and fostered, it will help the investment man in his direct relations with co-fiduciaries.

(2) *Nominee Registration*—This benefits not only the bank but the trust. It saves both time and money and it is a policy which could be adopted with advantage to all. Statistics indicate that this is used by only about 17% of the trust companies in this country.

(3) *Common Trust Fund*—With the smaller trust company there is some question as to its value. Its advantages are well known—greater diversification for the small account, greater economy and convenience for the trustee. The question asked most frequently is "What is the minimum amount needed for a common fund?" This seems to put the emphasis in the wrong place. It is not so much the dollar value, but rather the number of accounts which could be serviced which should be the determinant.

(4) *Proxies* — It is our opinion that a trustee should send proxies to those companies the securities of which are on the Approved List or where there are substantial holdings. The Approved List means that we like the management and consequently, should vote for them. Proxy fights present problems and the only policy here is do what seems in the best interest of the stockholder.

(5) *Rights* — If you have an Approved List, a policy on rights is simple. If a stock is on the Approved List you exercise the rights, if it is not, you sell. Subject to the restrictions of the trusts, it becomes almost automatic.

Investment Policy vs. Trust Provisions

There are times when any investment policy must be ignored. The provisions of some trust are so restrictive that changes are almost impossible. The First Pennsylvania is an old trust company and, consequently, has some old accounts. In one we are directed to hold the Elmira and Williamsport Income 5's until maturity after which the proceeds are to be invested in legal securities. The Elmira and Williamsport Income 5's mature in 2862.

*From a talk by Miss Naylor before Pennsylvania Bankers Association's Trust Training School, Bucknell University, Lewisburg, Pa.

Two With Old Colony

(Special to THE FINANCIAL CHRONICLE)

EAST READING, Mass.—Gladys S. Albert and Sumner H. Woodrow are now affiliated with Old Colony Investment Company, 213 Main Street. Both were previously with Palmer, Pollacchi & Co., Inc.

Now With Lerner & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Jerome Coe has become connected with Lerner & Co., 10 Post Office Square. He was previously with Hornblower & Weeks.

The Management of Bank Funds Under Current Economic Conditions

By DR. JOHN T. MASTEN*
Professor of Economics
University of Kentucky, Lexington, Ky.

After summarizing the current economic situation, Kentucky professor advises bankers on the many factors affecting the employment of bank funds. Projects three possible future trends to indicate how banks may fare under each, and then deals with general banking principles and how they may be tailored to fit individual situations. Stresses, among other things, the importance of liquidity and significance of the distribution of bank assets.

Banks, like other businesses, are affected by general economic conditions as well as by conditions that may be described as local in character. During the past year, we have witnessed a decline in the general level of economic activity but conditions at the local level still vary widely. For some communities, the past year has seemed more prosperous than 1956 or 1957. This has been true in many agricultural areas. On the other hand, the recession has been rather deep and severe in many communities. This has been particularly true of communities depending heavily upon such depressed industries as automobiles, steel, textiles, coal, etc. In managing bank funds, the banker must take into consideration local conditions and trends and, at the same time, keep an eye on the general level of economic activity.


John T. Masten

The Federal Reserve Index of Industrial Production held steady at the 144-145 (1947-49=100) level through September of 1957. It then started to decline, reaching a low of 126 in April of 1958, for a decline of 13% in seven months. Since April, there has been a slight upturn.

Gross National Product, another measure of economic welfare, fell from $445.6 billion for the third quarter of 1957 to $425.8 billion for the first quarter of 1958, a decline of 4.5%. Personal income also declined but by a smaller percentage and has, in fact, been rising from a low reached in February, 1958. With declining production and income, unemployment has risen and has reached a recession high of over 5,400,000 in June of this year. This means that there are about 2,000,000 more unemployed this year as compared with 1957. The recession, so far, has been marked by reductions in inventory and in the rate of business expenditures for capital equipment.

Declining economic activity has had effects ranging over a wide area. For the first five months of 1958, the Veterans' Administration reported a 22% rise in loan defaults on insured houses, bringing the total for the five months' period to 41,087. For the year ending June 30, 1958, bankruptcies were 23% above the previous year. This meant that about 90,000 persons and business firms filed bankruptcy, four-fifths being individuals. Declining activity increases bank losses on loans outstanding, accentuating the risks inherent in any loan transaction.

Federal Reserve Shift

It was not until November of 1957, that the Federal Reserve took positive steps to shift its policy from one of "restraining inflationary developments" to "fostering sustainable growth in the economy without inflation, by moderating the pressures on bank reserves." This signaled a shift in open market policy and was followed, on Nov. 15, by a cut in the discount rate from 3½ to 3%. Additional cuts have brought the discount rate down to 1¾%. On Jan. 16, 1958, margin requirements on loans to purchase securities were reduced from 70% to 50%.* Beginning late in February, bank reserve requirements were cut by ½% on demand deposits. Additional cuts were made in March and April. These cuts reduced requirements for Central Reserve City banks from 20% to 18%; for Reserve City banks from 18% to 16½% and for country banks from 12% to 11%.

The shift in monetary policy provided commercial banks with additional reserves of about $1.5 billion and has eased the reserve position of member banks. The change in policy has provided a base for an additional $7 billion expansion in bank deposits and credit.

Declining economic activity and the shift in monetary policy have had a profound effect upon interest rates in the money and capital markets. During the first six months of 1958, bank loans declined by over $2 billion. This decline in the demand for loans, together with the freeing of reserve balances, caused banks to turn to the investment market, driving prices up and yields down. Market yields on treasury bills averaged 3.58% in August, 1957. At the end of June, 1958, the yield was down to 0.90%. Even this rate represented considerable improvement over the 0.58% prevailing at the end of May. Longer term issues have also moved in the direction of lower yields, although the movement here has not been quite as spectacular. The peak yield for the current cycle on long-term government bonds was 3.73% in October of 1957. By the end of June, 1958, the yield had fallen to 3.19%. But July has seen a firming of rates with attendant reductions in prices.

We may summarize the situation, as of this writing, somewhat as follows:

(1) Economic activity has been in a state of decline, although there is some evidence of a bottoming out.

(2) The slowdown in economic activity has reduced bank lending opportunities and has, at the same time, increased the risk that is necessarily associated with all lending activity.

(3) The Federal Reserve policy of easy money, together with the reduced demand for bank credit, has forced a competitive up-bidding in security prices. While this may provide some opportunities for capital gains, it also has the effect of reducing bank income.

Possible Future Trends

Events of the week ending July 19 make speculation regarding the future very hazardous. Let us start with three assumptions regarding the future and analyze the probable impact upon commercial banking. Each assumption could find supporters, at least until last week.

(1) Our first assumption is that the recession will end shortly and will be followed by a vigorous recovery that would carry income and production to new highs. Such a situation would witness a strong demand for bank credit. Unless national policy should dictate otherwise, monetary policy would become increasingly restrictive. Monetary restraint accompanied by an active demand for credit would cause interest rates to rise. Bank liquidity would decline and banks, seeking to liquidate longer-term securities bought at or near present prices, would suffer capital losses. Bank income, however, would rise due to the higher level of rates and the larger volume of loans. Since such a period would also be marked by inflationary pressures, bank costs would also rise, giving impetus to the mechanization of banking operations. In general, banking would be profitable and the competition for savings would be keen.

(2) The second assumption is based on a pessimistic view. It assumes that the slight recovery of the past two months is but an interlude in a long-term downward trend. In such a situation, monetary and fiscal policy would be used more vigorously in an attempt to stem the decline. Bank loans would continue to fall. Monetary policy would further add to bank reserves. Banks would seek additional investments in the open market, driving prices still higher and yields lower. While capital gain possibilities would develop relative to present investment portfolio holdings, bank income would fall and credit losses would be greater. As banks become more liquid, they would be more easily tempted into the long-term investment market. This could have unfavorable repercussions at a later date.

Obviously, most Americans would be unhappy in the situation described under this assumption. Personally, I feel that it is the least likely of our three assumptions. Governmental fiscal policy is currently too willing to incur large money creating deficits to expect a deep and protracted depression—at least short of national bankruptcy. Federal, State and Local governmental expenditures are at a level equal to nearly 21% of our Gross National Product, compared to 8% in 1929 and 14% in 1933. In the short-run, this constitutes a strong undergirding force.

(3) Assumption three might be called the sideways' assumption. It assumes neither an inflationary upward movement nor a deep, prolonged depression. It assumes that the level of unemployment would continue within the 4 to 6 million range, that prices would stabilize and that the growth of income would be more gradual. It assumes that this is the post postwar era, that the pent-up demands of the depression and war years are well on the way to having been satisfied.

If the monetary and fiscal authorities were willing to live with these conditions; prices, including interest rates, would stabilize. While there would be some unemployment, it would be less than critical. Banks and other business firms would find it a period of stability but not one of lush profits. Successful enterprise, under such circumstances, would be based on managerial capacities rather than upon inflationary windfall gains.

If we are willing to write off the second assumption, strong cases can be made for an inflationary revival and also for a period of stability at a level somewhat below full employment. Until the events of last week, I felt that the third assumption probably represented the best analysis of the situation. However, many competent analysts, including most stock traders, apparently seem to feel that more inflation is in the offing. Now, I am not so sure myself. It is too early to evaluate the probable impact of the events of the week of July 14. We may have to begin all over with entirely new assumptions. Only last July 18, the Federal Reserve announced that it would begin to buy Government bonds in the market, instead of confining its purchases to bills. Whether this is merely to maintain an orderly market for U. S. Government issues or is a first step toward a return to "pegged" rates, cannot be determined at this time. It is, however, inflationary in its implications.

The Individual Bank

There are principles relating to the management of bank funds that are applicable in a general sort of way. Such principles must be tailored to fit individual situations. Banks may differ from one another in many ways. They have different ratios of capital to assets. Some have stable deposit variation experience while deposits in other banks may show considerable instability. Loan portfolios vary; some banks hold mainly short-term loans; as a result, they have a larger flow of funds coming into the bank to meet deposit withdrawals or new credit demands. Other banks will hold longer-term loans, such as real estate loans. Average maturities in the investment account are different from one bank to another. Banks may have large or small reserves against which to charge losses. Add to these items, the individual differences found from community to community. It is obvious that bank management must be tailored to the individual situation, but always within the framework of sound managerial principles.

Balance sheet data sheds much light on the policies followed by banks in the management of funds. The capital account is the principal cushion protecting depositors against loss (for accounts of over $10,000 in insured banks). The surplus, undivided profits and reserve portion of the capital account also protects the stockholder. At the end of 1957, insured commercial banks had capital accounts equal to 7.7% of assets. This means that asset values could decline by this amount before depositors would be jeopardized. A study, for example, of 100 Kentucky banks, for the same date, shows a range of variation from 4.66% to 13.28%.[1] If all other factors were equal, the familiar *ceteris paribus*, banks with high percentage ratios would afford greater protection and safety for depositors than would banks with low ratios. Obviously, other things are not equal and while the size of the capital account must influence management policy, it is not a factor of sole consideration. Liquidity is provided by assets, not by capital.

Individual banks may hold mainly demand deposit accounts, time accounts or a combination. These accounts may have large or small average balances. Total deposit balances may show large or small variation during the year. In any event, the size and stability of deposit accounts will affect the need for bank liquidity. Banks, reporting end-of-the-month balances in the Kentucky survey, show a range of variation from high to low of 38.30% to 5.74%. Since data showing absolute highs and lows for the year were not available, these figures may understate the range. A bank that has a high percentage variation as a usual occurrence will need to maintain a more liquid position than if its deposit accounts are quite stable.

Time deposit accounts usually show greater stability but this is not always true. The year 1957 was a year of unusual growth for many banks, insofar as time deposits were concerned. A large volume of time accounts is usually regarded as enabling a bank to commit a larger portion of its assets to longer-term loans and investments. However, actual variation in deposit accounts is more important than classification in determining management policy.

Bank liquidity is determined by the nature of bank assets. The order of priority on the asset side of the balance sheet may be listed as follows:

(1) Adequate primary reserves.

(2) Adequate secondary reserves.

Continued on page 33

*An address by Dr. Masten at Kentucky School of Banking sponsored by Kentucky Bankers Association and Dept. of Banking of the University of Kentucky, Lexington, Ky.

*Ed. Note: Margin requirements were raised from 50 to 70% by the Federal Reserve effective Tuesday, Aug. 5, 1958.

1 John T. Masten, *Cases in Commercial Banking: Loans and the Management of Bank Funds*, The Kentucky Bankers Association, 1958.

THE MARKET . . . AND YOU

By WALLACE STREETE

Reactionary tendencies persisted in this week's stock market for the quality issues, while the low-priced issues featured on high volume and fair gains at times. Volume contracted to around a three-month low, neither sinking spells nor rally attempts achieving any great significance because of the lack of interest.

* * *

With the Labor Day weekend only a bit more than a week away, most of the Street had given up on hopes for a renewed bull swing to any new peak as part of the summer rally picture. The summer rally, however, was a robust one even without the concrete support of basic elements as dividend news, earnings reports and such. The Aug. 11 peak for the industrial average of 512 was less than nine points under the all-time high of 1956, which was excellent behavior in the absence of any indication that the economy was going to snap strongly out of its recession rut.

Better-Acting Steels

Steels had a bit of help from the operating rate in the industry which was put at its best level since last December and made it seven weeks in a row of increasing operations. The shares in this group were logically among the better-acting items around. The oils were definitely laggard and aircrafts neglected. Chemicals had an erratic time of it, showing a bit more ability to sag in unison when the going was rough than to snap back together in periods when prices were generally working higher.

* * *

About the only effect of the tighter money moves still persisting was easiness in the utilities and preferred stocks, the latter dominating the new lows list rather completely. The rail picture was one of much backing and filling with the section contributing an occasional weakening to periods of market pressure.

* * *

The rail section continued to be the one where high yields were still available but skepticism was still the order. A quality line like Southern Pacific has been available at a yield of around 6% despite the fact that it is the diversified volume king of the western roads, operates in one of the best growth areas in the country, was first of the carriers to set up a profitable pipeline operation, can show a financial situation that needs no defending and covered its dividend adequately in the first half of the year. On the same indicated dividend payout it sold higher in 1954, 1955 and 1956 than it has recently.

* * *

Sopac's diversity is rather outstanding, ranging from the refrigerated produce car fleet of Pacific Fruit Express, largest such collection of cars under one wing, which is half owned by Southern Pacific, to its trucking subsidiaries that operate regular service. It is also surveying its some 4,000,000 acres of land for mineral potentials. Because its income from outside interests is running close to what is required for the fixed interest requirements, Southern Pacific is also something of a candidate for dividend liberality as soon as railroad traffic shows any signs of picking up importantly.

Bounding Food Issue

Pet Milk was something of a newcomer to the wide gain circle, bounding ahead easily when the company reported thoroughly satisfactory increases in earnings both for the June quarter and for the half year. The company has an odd leverage factor in its practice of taking all the milk supplies offered despite its production needs. While this provides a stable source of supplies, at times the company has to dispose of the excess even if it entails a loss.

* * *

By curtailing these losses sharply so far this year through a better balance between receipts and needs, as well as through better profit margins and improved sales volume for some of its products, the company was able to show a boost from \$1.79 to \$2.52 in its per share earnings for the half year despite a slight overall sales decline. The June quarter was the bright one. Net income nearly doubled from \$625,000 to \$1,114,000 for the three months. It galvanized the normally pedestrian stock which, largely due to a pared dividend rate this year, had been holding well under its 1954 and 1955 highs.

Stores and Textiles Awaken Interest

Stores stocks were a bit active at times, the general explanation being that the fall upturn climaxing in the year-end sales deluge was heightening interest in soft goods items while the debate raged over whether the hard goods lines were still in the doldrums. These issues have not participated to any great extent in previous market runups and consequently offer the more generous yields, running from 5 to above 6½%. The famous-name Macy and Gimbel issues are in the 5¾ to 6% area while Allied Stores offers even more.

* * *

Like the stores, the textiles have had few friends in recent years and their own private depression has run longer than those in other lines. A firming of mill prices above the April lows has heightened interest in textile issues, although there was still plenty of caution around because cyclical rebounds have been anticipated in this field before to no avail. Nevertheless, Burlington and Lowenstein among the low priced items available are in the 5% return bracket on current dividend rates. Their prices are also well deflated from historic peaks, with Lowenstein off around 50% from its 1955 high and Burlington almost as harshly handled.

* * *

Among the brighter spots in the earnings parade is Otis Elevator which reported a thoroughly satisfactory increase in net for the first half, in part because of the rebound in building construction and also a result of the company's success in selling its maintenance services and end the dependence on new installations. Earnings projections for this year give the company a chance at covering the \$2 current dividend perhaps twice over, which automatically makes the company a dividend increase candidate to lard the present return that comes close to 3¾%.

Aircraft Items

Aircrafts are among the largely neglected items around. They were chilled first by the plane stretchouts, then by the switch in emphasis to rocketry and the fact that this is still mostly fixed-fee development work at the moment and the more profitable production stages are still ahead. Rohr Aircraft, with its backlog more than half aimed at commercial contracts, is one that is expected to improve results comfortably, despite some large start-up costs that were absorbed last year. It also could indicate a continuation of the improvement at perhaps an accelerated rate in the current fiscal year that began this month. Rohr's dividend policy is cash-plus-stock which makes it something of an oddity in that it has 5¼% convertible debentures outstanding that give a better yield than that available on the common stock currently at around the conversion level. Other aircrafts, largely because they have been well depressed, offer satisfactory yields well into the 4% bracket, including Lockheed and Martin which showed a return of above 4½% at recent levels.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

When to Buy and What

By ROGER W. BABSON

In giving the advice to buy for cash at this time land, stocks, bonds, or a small business, Mr. Babson is able to explain the workings of the free market, expound on the desirability of owning stocks in those companies that supply goods which people must want whether employed or unemployed, and to refer to passages in the "Good Book" for timeless advice. Retired people are counseled to buy a well located lot in a warm climate—for protection, not for profit.

Please do not ask me if, after buying land in Florida, California, or elsewhere in the South or Southwest, you can sell it at a profit if you later decide you don't want to build on it or use it.

Roger W. Babson

Let me first say that at this time, whatever you buy — land, stocks, bonds, or a small business — you should buy for cash. This, in my humble opinion, is not yet the time to borrow money in order to buy anything for a "quick turn" or profit. However, I may be wrong and I hope I am wrong.

On the other hand, for those people who will be retiring on pensions in the North, I believe it is good protection to own a well-located lot in a warm climate. But be sure to buy this as you would buy life insurance—**for protection,** not for profit. And make sure you see the land before you buy it.

Supply and Demand

My reason for not now "buying for profit" is because we have no control over the market when we wish to sell. When we buy anything, today we are "sitting in the driver's seat,"—**but this is not so when we sell.** The price which we get when we sell will depend not upon the real value of the property, but upon how many other people want to sell similar property at the same time. **This we cannot control.**

This explains a basic trouble with business today. The supply of both goods and labor, at the present time, exceeds the demand. This especially applies to the automobile industry. Priming the pump, reducing taxes, or trying any other artificial gimmicks will not restore prosperity. But, as soon as demand again equals supply, we will once more have full employment. The same applies to selling land or lots for a profit. Our own property ultimately depends upon the other fellow—that is, upon what he wants.

Prices and Wages

The usual method for bringing about an increase in demand for goods is to lower prices. According to the newspaper advertisements of today, it appears that retailers are now really cutting prices and that there are true bargains. These, however, vary in different localities. Customers should "shop" and see for themselves. President Eisenhower advises everyone to buy **more**; but he does not say "where" or "when." He leaves that for you to find out.

Forgive me for so often referring to the "Good Book"—but remember that the Bible has gradually been built up on the experiences of the ages—some 3,500 years. If you will turn to the third chapter of Ecclesiastes in your Bible, you will find it says that there is a time for everything. Therefore, we should recognize the reality of the business cycle and time our moves accordingly. We must now bring business and employment into balance. This, of course, means that as prices decline, labor should be willing to accept lower wages. Restoring prosperity is no "one-way" street.

Best Stocks to Own

The law of supply and demand applies equally to land, commodities, and labor. The wageworker must be willing to take less money home for a few months and the builder and the retailer must be equally ready to reduce prices. If wageworkers do not now freely accept lower wages, they must suffer from partial unemployment. There is no half-way solution. Neither the President of the United States nor the president of any powerful labor union can, in the long run, upset the basic law of supply and demand. I urge readers to turn again to Ecclesiastes, the third chapter.

"How can the wageworker buy goods if he is unemployed?" you ask, I reply that he can do so with his unemployment insurance and, if necessary, by withdrawing some of the savings which he has been "storing up for a rainy day." This gives a hint to investors as to the best type of stocks to own, viz. **"Own stocks of companies that supply goods which people must buy, whether they are employed or unemployed."**

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me. — Stanley C. Boynton is now with Schirmer, Atherton & Co., 634 Congress St.

J. F. Jordan & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward A. Shaw has been added to the staff of J. F. Jordan & Co., 131 State Street.

The Rule of Reason Is Inescapable

By GILBERT H. MONTAGUE
Counselor at Law, New York City

Mr. Montague's papers on antitrust law have appeared in the *Chronicle* for about 30 years. Here, of interest to economists, business heads and lawyers, he traces how the Rule of Reason arose, and later fell into disfavor, but now is proving inescapable in antitrust cases. He concludes that notwithstanding the lip-service paid to "*per se* illegality" doctrine, "the generality of the language of the Sherman Act makes it impossible for us to interpret or enforce the Sherman Act unless we apply and use the Rule of Reason, or reasoning that is in the style of the Rule of Reason."

In *Standard Oil* and *American Tobacco*[1] in 1911 the Supreme Court showed that the Rule of Reason is really only applying and using sound judgment and common sense reasoning in interpreting and applying the antitrust law, and that the generality of language in the Sherman Act makes it impossible to interpret and enforce the Sherman Act without applying and using the Rule of Reason.[2]

Gilbert H. Montague

Instead of beginning life with a name that has always sounded technical and legalistic, the Rule of Reason might have fared better if it had begun with a name which emphasized that it was as simple, and necessary, and routine, in the business of interpreting and applying the antitrust law as breathing is in the business of living.

Indeed the Supreme Court remarked in *Standard Oil*[3] that in *Trans-Missouri Freight Association*[4] in 1897 and in *Joint Traffic Association*[5] in 1898 the Court had applied and used the Rule of Reason in the very decisions in which the Court was denying the Rule's existence!

As applied and used in *Standard Oil* and *American Tobacco* the Rule of Reason was "universal in its application" to all Sherman Act cases.[6]

Every act, agreement, transaction, or practice had to be tested by the Rule of Reason before it could be adjudged to be in violation of the Sherman Act.[7]

Rule of Reason Test

This test comprised First, analyzing by the Rule of Reason the text and the historical background of the Sherman Act and the Supreme Court decisions containing the currently authoritative interpretation of the Act, so as to ascertain what the Act forbids, and what it permits.[8] Second, weighing by the Rule of Reason all the available facts relevant to the conduct that is being reviewed, so as to ascertain the over-all purpose and effect of that conduct,[9] and Third, combining the results of First and Second, so as to adjudge thereby whether the Sherman Act forbids or permits that conduct.[10]

Subject to all these standards and limitations, the Supreme Court in *Standard Oil* and *American Tobacco* treated as relevant the following evidence regarding the practices comprised in the conduct charged to be a violation of the Sherman Act, viz. their "nature,"[11] their "character,"[12] their "intent,"[13] their "purpose,"[14] their "conception,"[15] their "object,"[16] their "terms,"[17] their "circumstances,"[18] their "operation,"[19] their "effect,"[20] their "consequence,"[21] their "result,"[22] the "nature of the parties,"[23] and the "character of the parties."[24]

Because a practice is "reasonable" by some non-legal or business standard is never in itself sufficient ground for exempting it from the antitrust law,[25] and no practice is so egregious and unconscionable and "*per se* illegal" that the Rule of Reason can be dispensed with in adjudicating its unlawfulness.

This was the Rule of Reason as the Supreme Court applied and used it in 1911 in *Standard Oil* and *American Tobacco*, years before the term "*per se* illegal" was ever heard of.

Rule of Reason Challenged in 1927

The period of uncontested ascendancy of the Rule of Reason closed in 1927 when a new chapter began with *Trenton Potteries*[26] in which the "*per se* illegality" doctrine made its earliest challenge in the Supreme Court to the Rule of Reason.

On the questions that came to the Supreme Court in 1927 in *Trenton Potteries* there were two grounds on which the Supreme Court could have reversed the Circuit Court of Appeals and affirmed the conviction of the defendants without going outside the Rule of Reason, if the Supreme Court had applied and used the Rule as it did in *Standard Oil* and *American Tobacco* in 1911.

But instead of deciding the case on these grounds, the Supreme Court's opinion written by Justice Stone took quite a different course,[27] so that after the Supreme Court decided *Trenton Potteries* in 1927 in a 5 to 3 decision, it was promptly and widely stated and believed that the Supreme Court in *Trenton Potteries* had decided that all price-fixing agreements are "*per se* illegal" because price-fixing agreements eliminate price competition, and that the Rule of Reason as applied and used by the Supreme Court in *Standard Oil* and *American Tobacco* is inapplicable to price-fixing agreements.

This is the present day doctrine of "*per se* illegality," as the Supreme Court finally accepted and expounded it when the Court first used the term "illegal *per se*" and established that doctrine in *Socony-Vacuum* [28] in 1940.

Trenton Potteries illustrates how great may be the consequences when one of the Justices of the Supreme Court is prevented from participating in the consideration and decision of a Supreme Court case.

Justice Brandeis did not participate in considering and deciding *Trenton Potteries* because his daughter Susan had been a Special Assistant United States Attorney in the case when *Trenton Potteries* was in the Circuit Court of Appeals.

With Justice Brandeis' strong views in *Chicago Board of Trade* regarding the Rule of Reason, and his emphatic approval of the Rule's insistence that in all antitrust cases all circumstances and conditions could be considered to the extent that they were relevant to the violations charged and to the antitrust law as then inter-

Continued on page 26

*From an address by Mr. Montague before the American Bar Assn. Section of Antitrust Law Spring Session, Washington, D. C. The complete paper may be found in the A. B. A. *Section Proceedings*.

From Washington Ahead of the News

By CARLISLE BARGERON

Leonard Hall, former Republican National Chairman, who withdrew earlier in the week from the New York gubernatorial race, is an example of the ingratitude of politics. He wanted to be governor very badly. After his successful campaign as director of the Republican National Committee in 1956, he was expected to be given the gubernatorial nomination of his home state this year. He deserved it. He went out of office with the plaudits ringing in his ears as the best National Chairman the Republicans ever had. He undoubtedly would be given a Cabinet post, the dopesters said, by a grateful President. But no Cabinet post was ever tendered nor was any other honor. As a matter of fact, Within a few weeks Mr. Hall's name had dropped from public view. Inquiries to what had happened to the former Chairman were met by a shush, shush, that man's name isn't brought up around here anymore.

Carlisle Bargeron

Every now and then somebody would seek to explain that Mr. Eisenhower didn't have any Cabinet positions open. This is true, but there are hundreds of little Presidential errands one can be appointed to do to give him a buildup. But about Len Hall there was a conspiracy of silence.

What went wrong between Mr. Eisenhower and Mr. Hall to break up a beautiful friendship? It was Mr. Hall who, when Mr. Eisenhower was stricken with a heart attack, immediately calmed the panicky politicians with word that he would run again. He never expressed any doubt about it. It had a reassuring effect which counted heavily in the effort to raise funds. What was it that came between them?

There was the incident of a nickel project in Cuba. It came out in a Congressional investigation that the firm which got the contract to build the plant had some trouble. They testified for one thing that Mr. Hall wanted a campaign contribution as a prerequisite to their getting it. They had been close to the Truman Administration and had gotten considerable business under it. Undoubtedly Mr. Hall figured that it was bad enough to give them a juicy plum; at least they could cough up with a campaign contribution.

The thing was so ordinary in politics that the Democrats didn't even give it a tumble. But Mr. Eisenhower is said to have been very much displeased. Which goes to show that he ought to try raising campaign money himself, particularly this year when Republican prospects aren't easily being sold.

Thus it came about that instead of getting any help from the Administration in his New York aspirations, unusual steps were taken to head him off. If no one with responsibility had put the bug in Nelson Rockefeller's ear it is doubtful he would have thought of running. This someone didn't like the idea it would be Mr. Hall.

Oh, by the way there was one time Mr. Eisenhower could have done something to help Mr. Hall. He appointed a delegation to go to Israel. As a New York politician, this would have been excellent for Mr. Hall. Around Washington at the time there was considerable eyebrow lifting that Mr. Hall was not named.

As to whether Mr. Rockefeller will make a better candidate, I do not know. There is little difference between his political thinking and that of Governor Harriman. Rockefeller served under Truman and Roosevelt. Harriman did the same but in more responsible positions.

Milburn, Cochran Co. New Firm Name

WICHITA, Kans.—Announcement is made of the change of name of The Small-Milburn Company, Incorporated, 121 North Market Street, to Milburn, Cochran & Company, Inc. Interests of Amos C. Small, Don M. Small, Duane T. Smith and Wesley L. Keating have been purchased by other officers of the firm.

Milburn, Cochran & Company will continue to engage in all phases of the securities business in which the predecessor company was active and will operate its present four offices with the following personnel: Wichita—Glenn L. Milburn, David F. Bradley, Albert L. Brokes, David E. Davidson, Warren B. Gillespie, Theodore A. Hartenstein, Duane L. Krug, David E. Wire and Walter R. Zittel; Oklahoma City—William B. Cochran, John T. Barry, Phillip W. Davis, H. Hugh McIntire and J. Herman Schmoldt; Kansas City—Mason H. Feese, John B. Markey, and Archie L. Drake; Hutchinson—George H. Ewald, John J. Knightly and Lewis C. Taylor.

Clark, Dodge & Co. to Admit E. M. Geddes

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange on Sept. 1 will admit Eugene M. Geddes, Jr. to partnership.

Syndications Clearance

Syndications Clearance, Inc. has been formed with offices at 40 Exchange Place, New York City, to engage in a securities business.

Sidney Tager Opens

Sidney Tager is engaging in a securities business from offices at 60 East 42 Street, New York City, under the firm name of Tager & Company.

Effect of British Bank Rate Upon Sterling and the Economy

By PAUL EINZIG

Commenting on sterling's firmness despite the recent, and widely anticipated, unseasonable Bank rate reduction, Dr. Einzig sees in this an expression of official confidence in sterling's inherent strength and recognition that sterling need not be bolstered up artificially to attract arbitrage funds to London. The writer does not rule out possible further Bank rate reduction at end of August or in September and believes Government is prepared to avoid recession by willingly relaxing credit at risk of slight revival of inflation. Contends major strike or wage increase may reduce current wave of business optimism to pessimism.

LONDON, Eng.—The latest reduction of the Bank rate was in accordance with general anticipations. On the three previous occasions the Bank of England sought to make the reductions when this was not expected, in order to avoid criticisms on the ground that the anticipation of the change provided speculators with opportunities to make a quick profit. This was a reaction to the judicial inquiry that followed the allegations of leakage of information about the increase of the Bank rate in September 1957. On the present occasion, however, the authorities must have arrived at the conclusion that they are not justified in managing the country's monetary policy from the point of view of preventing a few speculators from making profit. So it is to be assumed that in future Bank rate changes will be made whenever the Treasury and the Bank of England think they ought to be made, regardless as to whether the changes are widely anticipated or not.

Dr. Paul Einzig

Bank Rate Reduction's Unusualness

The lowering of the Bank rate towards the middle of August is most unusual. That the markets expected the authorities to do it, and that the authorities decided to do it, shows the degree of confidence in sterling. Apart from considerations of seasonal pressure, evidence of a rising trend of interest rates in the United States would in normal circumstances be sufficient to discourage a reduction of the Bank rate in Britain at this time of the year. Higher rates in New York tend to lead to transfers of funds temporarily invested in London to take advantage of high interest rates. Such transactions, in addition to seasonal commercial demand for dollars, tend to weaken sterling. Yet the British authorities, so far from trying to counteract the pressure, actually accentuated it by lowering the Bank rate.

In spite of this, the first reaction was a strengthening of sterling in relation to both the dollar and to continental currencies. It is true, the firmness was short-lived. Even so, on balance sterling remained higher than it was before the reduction of the Bank rate, which is an unusual experience.

This does show how important the psychological factor is on the foreign exchange market. Because the unseasonal reduction of the Bank rate is interpreted as an indication that the British authorities have full confidence in the inherent strength of sterling, the psychological effect of the change has entirely offset its material effect. The Bank rate reduction is regarded as a gesture to show that the authorities no longer consider it necessary to bolster up sterling artificially by attracting arbitrage funds to London. The attraction of such short-term funds is always a dubious device, yet century-old practice has made is use highly respectable. Evidently the British authorities now feel that a withdrawal of such funds would leave sterling sufficiently strong to face the autumn pressure.

Cost of Living Decline

One of the causes of the optimism regarding sterling is that for two months running the cost of living index showed a decline. Last month it was only 2% above its figure of 12 months ago. This should go some way towards depriving wage demands of such moral justification as they are claimed to have. Since industrial production is running at 5% below its last year's level it is indeed difficult to justify an increased distribution of consumer purchasing power by means of wage increases. Although such considerations are not likely to moderate wage demands, they are liable to influence the awards by arbitration tribunals.

Of course, even at 4½% the Bank rate is abnormally high, if compared with Bank rates in other countries. Although a further reduction at the end of August or in September would be extremely unusual, it could not be ruled out altogether. Even though it is not the Government's intention to revert to cheap money policy, at 4%, or even at 3½%, the Bank rate would not be considered unduly low during a period when sterling is not subject to an attack and when the price level tends to fall. The Government is very anxious to avoid a serious recession, and is prepared to relax credit even at the risk of a slight revival of inflation.

Business Upturn Sentiment

Judging by the firmness of the Stock Exchange, investors and speculators do not share the Government's declared pessimism about the business outlook in the autumn. Equities have risen to the level where they stood at the time of the increase of the Bank rate to 7%. This shows that the market assumes that the Government's reflationary measures would not only prevent a further fall in industrial activity but would even bring about a revival.

Moreover, inflationary expectations in the United States affect British business prospects favorably. The slight relapse in commodities is viewed as a temporary phenomenon in the light of the possibility of an increased American industrial demand for raw materials. In Britain, too, raw material stocks have been allowed to decline, which largely accounts for the low figure of imports and the improvement of the balance of payments. A revival of industrial expansion is bound to be accompanied by an increased demand for imported materials. This would help the Commonwealth countries and other primary producers, and their recovery would, in turn, help British exports.

Amidst this atmosphere of optimism the ups and downs of the international political situation have only a secondary effect on sterling and on the Stock Exchange. The foundations of this optimism are not very firm, however. A major strike or a major wage increase might easily result in a new wave of pessimism.

Complete Financing For Alaska Port

Two checks totaling $8,200,000 were handed to the mayor of Anchorage, Alaska, by a partner in a New York investment banking firm. The money will be used to develop Anchorage, Alaska's largest and fastest-growing city, into a major seaport.

The $8,200,000, which was raised by selling bonds to investors throughout the United States, was turned over to Mayor Anton Anderson by Bertram M. Goldsmith, partner of Ira Haupt & Co., managers of the underwriting syndicate. The ceremony took place at the offices of the Signature Co., 25 South William Street, New York City.

Mayor Anderson and other Anchorage officials spent the entire morning affixing their signatures to some 8,200 separate bond certificates to be given in exchange for the money. An official of the bank that is acting as trustee for the two bond issues also had to sign his name 8,200 times.

Mr. Anderson declared that he was most pleased by the enthusiasm with which mainland investors bought up the Anchorage bonds. The issues were put on the new financing market in July, two weeks after Congress voted statehood for Alaska, by a nationwide syndicate of 28 underwriters led by Ira Haupt & Co.

Orders for the bonds showed especially strong interest from New York and New England on the Eastern Seaboard, it was noted by Mr. Goldsmith, as well as from northwestern states where great interest might naturally be expected because of close business ties with Alaska.

Proceeds of the bond issues will be used to build port facilities in Anchorage. The city is located on a protected deep-water inlet that thrusts well into the heart of Alaska's populated territory. At present, however, it has only one pier, operated by the Army.

Civilian freight for Anchorage is now brought in by rail from more southerly ports or lightered by barge. Development of the city into a seaport is expected to cut transportation costs by as much as 25%.

Participating in the ceremonies closing the financing were also Ben Boeke, Anchorage Clerk-Treasurer; James Fitzgerald, City Attorney; and Leonard Hanauer, of Ira Haupt's revenue bond département. Representing the Seattle First National Bank, trustee for the bonds, were E. A. Brown, assistant trust officer, and Morton Baker, Vice-President.

The two checks given M. Anderson were in the amounts of $6,200,000 and $2,000,000, representing the proceeds of two simultaneous issues: $6,200,000 of Port and Terminal Facilities Revenue Bonds and $2,000,000 General Obligation Port Improvement Bonds.

The two types of bonds issued by the City of Anchorage carry coupon rates ranging from 4 to 5.40%, depending on maturity, of tax-exempt interest.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The First National City Bank of New York announced the appointment of James Reed Hummer as Assistant Vice-President in the Far East District of its Overseas Division.

Mr. Hummer formerly had been associated with the bank in Japan.

* * *

An error was made in the Aug. 7 issue on page 509 in reference to **First National City Bank, New York**. The corrected article follows:

The election of Richard S. Perkins as a member of the Board of Directors of Allied Chemical Corporation was announced today by Kerby H. Fisk, Chairman.

Mr. Perkins is Vice-Chairman of the Board of **The First National City Bank of New York**, and Chairman of the Board and Chief Executive Officer of **City Bank Farmers Trust Company, N. Y.**

* * *

Frederick B. Scott has been elected to membership on the Board of Directors of the **Marine Midland Trust Company of Central New York**, according to John T. Sullivan, Chairman of the Board.

* * *

Edward A. McQuade has been elected Vice-President of the **Sterling National Bank and Trust Company, New York**, effective Sept. 2, it was announced Aug. 15 by Joseph Pulvermacher, Sterling President. Mr. McQuade will make his headquarters at the head office of the bank in New York.

* * *

William J. Grange has been elected a Director of the **Federation Bank and Trust Co., N. Y.**

* * *

Horace A. Sawyer, was elected to the Board of Trustees of **Dry Dock Savings Bank**, during their Aug. 19 meeting.

* * *

Industrial Bank of Commerce, New York announces the opening of their new office at 100 Church Street on Aug. 25.

* * *

An extensive alteration and refurbishing program has been completed at the main office of the **Bank of North America, New York**, where the institution's quarters have been expanded and air conditioned.

Stockholders of the Bank of North America and **Commercial State Bank and Trust Company of New York** voted approval on July 22 to merge the institutions. The combined banks would be known as the **Commercial Bank of North America**, with assets of over $150,000,000 and 12 offices throughout the city.

* * *

Norman C. Hoffman was elected Vice-President and John W. Pillsbury, Jr., Treasurer of **New England Trust Co., Boston, Mass.**

* * *

Directors of both banks have approved plans for a merger of **Torrington National Bank and Trust Company, Torrington, Conn.**, into the **Hartford National Bank and Trust Company, Hartford, Conn.** The proposal is subject to the approval of the stockholders and the Controller of the Currency.

* * *

National State Bank, Newark, N. J., Board of Directors announces that in the the regular monthly meeting agreement was reached to recommend to the stockholders a merger with **Federal Trust Company, Newark, N. J.** David J. Connolly, President of Federal Trust stated that the proposed merger had been informally considered and it is indicated that it will be favorably acted upon at their Board meeting on Aug. 20.

The major stockholders in both banks are in agreement on the advantages of a merger, said Mr. Connolly, President of Federal Trust and W. Paul Stillman, President of National State. These stockholders represent a working control.

It will be a cash merger, the first of its type in New Jersey, with stockholders of Federal Trust paid $51 a share. There are 162,250 Federal Trust shares outstanding.

Federal Trust's $80,000,000 in deposits, and earnings, will be absorbed into National State, putting National State near $400,000,000 in size, the largest national bank in the state, and among the top eighty banks in size in the nation.

When effected, subject to the approval of the Comptroller of the Currency, it will be the largest merger of banking interests in New Jersey history. The plan will be submitted for approval at stockholders' meetings of both banks Oct. 7, and would then become effective at the close of business Friday, Oct. 10.

David J. Connolly, President of Federal Trust, will become Vice-Chairman of the Board of Directors of National State a new post.

It is contemplated some representatives of Federal Trust's Board of Directors will join the Board of National State, and that present officers and the staff of Federal Trust will continue in comparable positions in the enlarged bank.

* * *

Peoples National Bank of Grand Rapids, Grand Rapids, Mich., with common stock of $1,050,000, was merged with and into **Old Kent Bank and Michigan Trust Company, Grand Rapids, Mich.**, under the charter of the latter bank and under the title **Old Kent Bank and Trust Company**, effective at the close of business July 31.

* * *

By the sale of new stock, the common capital stock of **The Augusta Citizens and Southern National Bank, Augusta, Ga.**, was increased from $200,000 to $400,000 effective Aug. 6. (Number of shares outstanding—40,000 shares, par value $10.)

* * *

By a stock dividend, the **San Angelo National Bank of San Angelo, Texas** increased its common capital stock from $600,000 to $700,000, effective July 25: (Number of shares outstanding—70,000 shares, par value $10).

* * *

Approval was granted by the Comptroller of the Currency to **First National Bank of Grants, Grants, New Mexico**, to open a bank. D. W. Dunaway is President and R. M. Gunderson is Cashier. The bank has a capital of $200,000 and a surplus of $300,000.

* * *

The National Bank of Wray, Colo., with common capital stock of $50,000, went into voluntary liquidation, effective Aug. 2. Liquidating agents or committee: Messrs. W. T. Diss and David M. Grigsby, care of the liquidating

bank. Absorbed by: **The First National Bank of Wray, Colo.**

* * *

The First National Bank of Wray, Colo. increased its common capital stock from $100,000 to $125,000 by the sale of new stock, effective Aug. 2: (Number of shares outstanding—1,250 shares, par value $100).

* * *

John M. Schutt has been elected Assistant Vice-President of **The Bank of California, N. A.**, according to an announcement by Chairman Elliott McAllister. Mr. Schutt will be attached to the loan section of the bank's Head Office in San Francisco.

Prior to his appointment, he had been associated with the **National Bank of Commerce of Seattle, Wash.**, since 1936.

In 1945 he was appointed Assistant Cashier and later Assistant Manager of the Vancouver Office. He was serving as Manager of the Longview, Wash., Office in 1954 when he became Assistant Vice-President, and was advanced to Vice-President and Manager the next year.

* * *

The First National Bank of Portland, Portland, Ore. changed its title to **The First National Bank of Oregon, Portland**; effective Aug. 1.

* * *

The First National Bank of Anchorage, Territory of Alaska increased its common capital stock from $50,000 to $100,000 by a stock dividend, effective July 29: (Number of shares outstanding—1,000 shares, par value $100).

Thomas D. Walsh With Swift, Henke & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Thomas D. Walsh has become associated with

Thomas D. Walsh

Swift, Henke & Co., 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. Walsh was formerly with Doyle, O'Connor & Co.

Banks for Cooperatives Offer Debentures

An issue of $82,500,000 of seven-month consolidated collateral trust debentures was offered on Aug. 19 by the 13 Banks for Cooperatives through their fiscal agent John T. Knox, with the assistance of a nationwide group of security dealers. Dated Sept. 2, 1958 and maturing April 1, 1959, the debentures are being offered at par and bear interest at 2.85% per annum. Interest is payable with the principal at maturity.

Proceeds of the sale of this issue of debentures will be used to redeem the $49,500,000 of 5% debentures coming due Sept. 2, and to provide for lending operations.

These secured debentures are the joint and several obligations of the 13 Banks for Cooperatives. These Federally chartered banks operate under the supervision of the Farm Credit Administration.

Bankers Offer Houston Corp. Debs. & Stock

Public offering of $36,188,000 of 5% subordinated debentures due in ten years and 1,809,400 shares of common stock of The Houston Corporation was made yesterday (Aug. 20) in the form of units by an underwriting group headed jointly by Blyth & Co., Inc., Lehman Brothers, Allen & Co. and Scharff & Jones, Inc.

Each unit consists of $100 debentures and five shares of common stock. The price per unit is $150.

The company is also selling at $10 per share, through rights to its present shareholders, 818,333 shares of common stock and 575,869 shares of class A stock.

The company's pipeline subsidiaries, Coastal Transmission Corp. and Houston Texas Gas & Oil Corp., are selling at par to institutional investors an aggregate of $107,400,000 principal amount of first mortgage pipeline bonds, 5½% series due 1979.

These are the principal steps in a financing program designed to provide capital funds for the construction of a 1,500-mile natural gas pipeline system from the Gulf Coast producing areas of Texas and Louisiana to markets in Peninsular Florida, the last major population area in the United States without natural gas service. The initial pipeline system will have a daily average delivery capacity to the Florida markets of approximately 282,000 mcf, designed for expansion with additional compressor facilities to a daily average delivery of approximately 411,000 mcf. The estimated cost of the initial facilities is approximately $161,166,000 based on present costs, and the expansion to 411,000 mcf daily capacity is expected to cost around $41,000,000.

The Houston Corporation, which was incorporated in March 1957, owns all of the stock of Coastal Transmission Corporation and Houston Texas Gas and Oil Corporation. Coastal and Houston Texas have been authorized by the Federal Power Commission to construct and operate the pipeline facilities. The Houston Corporation has contracted to acquire at least 80% of the outstanding common stock of Jacksonville Gas Corp., which distributes manufactured gas in Jacksonville and is also acquiring the existing gas distributing systems serving Miami, Lakeland, Orlando and Winter Park. Houston will convert these distribution systems to serve natural gas as soon as the pipeline system is in operation.

With Old Colony

(Special to THE FINANCIAL CHRONICLE)

NORTH READING, Mass. — Denis Benard, John A. Gregoria, Edward L. Hare, Lewis H. Millett, Lloyd D. Nelson and Kendall Stearns have been added to the staff of Old Colony Investment Company, 213 Main Street. All were formerly with Palmer, Pollacchi & Co.

Continued from page 13

Anti-Trust and Insurance

tional grounds. This question emphasizes the importance of supervision by the state insurance department over the activities of the private rating bureaus. A good example of effective supervision of this kind is a recent decision by the New York Insurance Department, recognizing the right of an insurer to withdraw from a rating bureau and to file independent rates which are lower than the bureau rates. The Superintendent of Insurance made an observation which I should like to quote. Referring to the state laws permitting cooperative rate making, he noted that "in permitting this combination through rating bureaus, it was not intended to destroy competition and to make rates uniform. . . . Absent a threat to its solvency, a company has a right to compete in the market not only as to rates but also as to methods of merchandising, regardless of whether they are novel or merely modifications or extensions of existing patterns."[9]

State Regulation

The section of the McCarran Act which makes the anti-trust laws applicable to the business of insurance "to the extent that such business is not regulated by state law" is the jurisdictional basis for the series of cease and desist orders issued by the Federal Trade Commission under the Federal Trade Commission Act, against certain health and accident insurance companies for alleged false and misleading advertising. The law in this area is not clear since two Circuit Courts of Appeal have disagreed with the Commission claim that there must remain an irreducible area of Commission jurisdiction over the interstate activities of insurance companies which cannot be reached by state law.[10] The Supreme Court heard oral argument on appeals from these decisions on April 10. Thus, a final answer on this problem should be forthcoming in the near future.

Price-fixing and other noncoercive restraints imposed by rating bureaus are subject to the Sherman Act to the extent that such business is not regulated by state law. I do not believe that an exemption exists for these activities merely because a state has legislated, if it does not adequately enforce its regulations. The debates on the floor of the Senate reflect the Congressional intent with respect to the meaning to be attached to "regulation by state law." For example, Senator Barkley stated:

"I have been somewhat disturbed by the provision in subsection (b) of Section 2. . . . However, . . . I intend to vote for approval. . . . But I wish to be understood that in voting for approval. . . . I am accepting the interpretation placed upon it by the conferees, namely, that if any State, through its legislature undertakes to go through the form of regulation merely in order to put insurance companies within that State on an island of safety from Congressional regulation, that effort will be futile. . . ."[11]

A similar conclusion was reached by the President in a statement which he issued the day after he signed the bill:

"After the moratorium period, the anti-trust laws and certain related statutes will be applicable in full force and affect the business of insurance except to the extent that the states have assumed that responsibility, **and are effectively performing that responsibility** for the regulation of whatever aspect of the insurance business may be involved. . . ."[12] (Emphasis supplied)

Antitrust Division Investigative Procedure

The question has been asked whether our current investigations within the insurance industry are related to possible violations of the anti-trust laws. They most certainly are.

When insurance complaints are received they may be handled in one of several ways. First, we have set up liaison procedures with other interested government bodies whereby we consult with them to determine whether any administrative measures can and should be taken. Some of these bodies, such as the Veterans' Administration, the Federal Housing Administration, the Federal National Mortgage Association, and the Federal Reserve Board, have cooperated in our program directed against mortgage-insurance tie-in practices.

Second, these complaints may become the subject of preliminary inquiries, full investigations by the FBI, or by Federal Grand Juries. Since the Anti-trust Division lacks sufficient funds to fully investigate all complaints, selection becomes necessary. Upon receipt of an insurance complaint, it is quickly checked to see:

(1) If, on its face, there is involved a possible violation of the Sherman Act. For example, is the challenged conduct exempted from the Sherman Act by the McCarran Act? Is interstate commerce involved?

(2) Does the Division already have the matter under investigation or has it investigated or litigated the matter in the past?

(3) Is the matter freighted with sufficient public import to warrant further inquiry?

If the answers to these questions indicate that the complaint is important, upon the recommendation of a Section Chief, I will authorize a preliminary inquiry. Such inquiries are not full-scale investigations but are usually confined to a study of our own files, interviews or correspondence with informed persons, including other government agencies and the collection of relevant economic data, all in order to determine whether further action is justified. Since the **South-Eastern Underwriters** case, about 30 preliminary inquiries have been conducted by the Division in the insurance field. Nearly half of these have resulted in further full investigations, usually by the FBI and occasionally by Federal grand juries. The scope of these preliminary and full investigations has included almost every phase of the insurance field. Some of the subjects included are: mortgage hazard insurance, automobile casualty insurance, medical malpractice insurance, workmen's compensation insurance, and the activities of rating bureaus and insurance boards.

A recent grand jury investigation, involving a large residential mortgage or trust deed lender, was based upon complaints made to the Division by responsible representatives of insurance organizations as well as by complaints received from individuals and insurance agents. The complaints alleged that a preponderant portion of hazard insurance paid for by borrowers of the institution was funneled to an insurance company which was controlled by officers of the lending institutions and that the channeled business constituted the majority of insurance written by the affiliated insurance company.

As a result of these complaints I requested the FBI to conduct a full field investigation. Such an investigation often includes interviews and file searches of potential defendants, their competitors, customers, or any others who possibly have knowledge of the alleged violation. Thus contact by the FBI need not mean that a corporation is suspected of a violation.

In this particular case the institution and its affiliated agency and company refused to permit the FBI to examine their files. A corporation, as well as an individual may refuse to give information or refuse access to its records. If a corporation or individual desires to exercise these rights, the Division has two alternatives: either to drop the investigation, or to present the matter to a grand jury. Because of the importance which attached to this matter, I chose the latter alternative. As is customary, this refusal to rant access resulted in the issuance of subpoenas **duces tecum** by the grand jury to obtain the desired information and records.

The results of this investigation are currently being reviewed. The facts unearthed by the investigation should determine whether the particular institution, its affiliated insurance agency and company and important officers have in fact acted in violation of the Sherman Act.

Third, when one of these investigations indicates that the Sherman Act is being violated, we will proceed against the offender. Before reviewing the successful cases filed by the Division, let me say that of course, very few complaints reach the litigation state. Not only may the complained of activity fail to constitute an offense against the Sherman Act or be incapable of proof, the illegal practices may be voluntarily abandoned by the offender when he learns of our interest.

The anti-trust cases which have been instituted by the Government in the insurance field since the passage of the McCarran Act have been under Section 3 (b) of the Act which provides that:

"Nothing contained in this Act shall render the said Sherman Act inapplicable to any agreement to boycott, coerce, or intimidate, or act of boycott, coercion or intimidation."

This wording is directly derived from the Supreme Court's conclusion in the **South-Eastern Underwriters'** case that "no states authorize combinations of insurance companies to coerce, intimidate and boycott competitors and consumers in the manner here alleged."[13] Thus, it is clear that coercion, intimidation and boycott remain subject to the Sherman Act irrespective of state regulation and supervision. While the language of Section 3 (b) requires no clarification, a statement on the floor of the Senate by one of the legislative managers of the Act is helpful. Senator O'Mahoney said:

"Moreover, this proposed act leaves wholly undisturbed, indeed, it fortifies the decision of the Supreme Court that insurance is commerce. It leaves the anti-trust laws in full force and effect, even during the moratorium against boycotts and agreements to boycott."[14]

In 1954, a consent decree terminated the case of **United States v. Liberty National Life Insurance Co.**[15] Our complaint in this case charged the insurance company and two subsidiaries with conspiring to restrain and to monopolize, attempting to monopolize and actually monopolizing commerce in funeral merchandise and burial insurance. The defendants had entered into contracts under which the funeral director agreed to purchase all of his funeral supplies through Liberty National and not to service funerals for policy holders of competing burial insurance companies. In return, Liberty National granted exclusive franchise rights within a specific territory to its contract undertakers and agreed that it would not contract with any other undertaker to service Liberty National burial insurance policies in such exclusive territories. The provisions of the consent decree are designed to end these restrictive arrangements and to restore competitive conditions in the sale of burial insurance and funeral merchandise in Alabama.

United States v. Investors Diversified Services[16] which was terminated by a consent judgment in 1954, is one of our most widely publicized cases. The complaint charged that I.D.S., one of the largest residential mortgage companies in the United States, had entered into agreements with its residential mortgage loan borrowers which illegally required the borrower to agree that all hazard insurance maintained on the property secured by the mortgage would be written, placed and sold by the mortgagee.

These coercive tie-in agreements had four results: (1) The owner of the residential property who obtained a mortgage loan was prevented from placing his hazard insurance with insurance agents and companies of his own choice; (2) insurance agents and brokers who normally would compete with the mortgagee were prevented from competing for the sale of hazard insurance on property mortgaged to the lender; (3) insurance companies, other than those selected by the lender, were foreclosed from free access to a substantial market for hazard insurance; and (4) borrowers were prevented from obtaining hazard insurance at premium rates which have been lower than those available through the mortgagee.

The consent judgment terminated the agreements which gave the defendants an exclusive right to place hazard insurance. It prohibits similar agreements in the future. Further, it requires the mortgagees to inform loan applicants and existing mortgagors of their right to select insurance of their own choice. This judgment recognizes that mortgage lenders have a right to insurance from a reputable and reliable insurance company. To protect the legitimate interest of the defendants on this score, the judgment permits them to require that hazard insurance be written by a company acceptable to them, so long as their standards of acceptability are not unreasonable, arbitrary, or discriminatory. It likewise enables the defendants to place or write hazard insurance on property mortgaged to them if the borrower improperly fails to tender within a reasonable time the type of policy judged acceptable under the foregoing standards.

The Supreme Court has said that tying agreements "serve hardly any purpose beyond the suppression of competition."[17] Because of their inherently anti-competitive nature, insurance tie-in contracts falling within the purview of the Sherman Act are, in the view of the Department of Justice, **prima facie** unreasonable restraints of trade. That is to say, they are illegal unless they can be shown to be reasonable under the peculiar and particular facts in each individual case. This has been repeatedly called to the attention of the public, and those lenders who persist in unreasonably denying their borrowers access to the competitive insurance market will invite litigation upon themselves.

In August, 1956, a district court opinion was rendered in the case of **United States v. Insurance Board of Cleveland.**[18] The Board, with a membership of 452 insurance agents, accounted for about 85% of all fire insurance coverage in the Cleveland, Ohio, area. The complaint alleged that the Board conspired with its members to restrain and monopolize interstate commerce in the business of selling and writing fire insurance in that area through the operation of certain rules which constituted illegal boycotts. Acording to the complaint, these boycotts were used against non-member agents and companies, against deviating companies or those returning any part of the premium as a dividend or allowance, against mutual companies and against companies selling insurance directly to the public through branch offices. Upon cross motions for summary judgment, the court said, with respect to the last rule listed above:

"The Direct Writer Rule is a group refusal to deal which relies upon coercion to effectuate its purpose and, under the authorities . . ., it must be held to impose an unreasonable restraint of competition in interstate commerce."[19]

The Government contended that each of these rules of the Board constitutes an agreement to boycott and as such is illegal **per se**, or in other words, that it falls within that class of practices which have been found by the courts to be so inherently unreasonable and so destructive in their effect upon competition that they are forbidden as a matter of law. Price-fixing is a well-known example of such **per se** illegality. The defendant Board conceded in effect that the rules were concerted refusals to deal, but argued that they must be proven to be unreasonable before they could be held to be illegal. The court agreed with the defendants and held that the "rule of reason" must be applied to test the legality of the Board's rules.

No decision was reached by the Court as to the other restrictive rules of the Board, either because certain ones were discontinued after the case was filed or because there were disputes of fact as to the effects of other of these rules on competition, to be decided after a trial.

Our complaint in **United States v. New Orleans Insurance Exchange**[20] was similar to that against the Cleveland Board. The Exchange, a private association of 130 insurance agencies, which controlled approximately three-fourths of the fire, casualty and surety insurance business in the New Orleans area, was charged with violations of Sections 1 and 2 of the Sherman Act. In the words of the court:

"The group boycott is effected through a series of by-laws of the Exchange by which members thereof agree to boycott any stock company which plants through any except Exchange agents in the New Orleans area, to boycott any stock company which sells directly to the public, to boycott mutual companies irrespective of how or by whom the insurance is sold, and to boycott non-member agencies so that the facilities of companies planting exclusively through Exchange outlets are denied such agents."[21]

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9 Opinion and Decision of Superintendent of Insurance of State of New York, in the Matter of the Independent Rate Filing for Dwelling Classes by The North America Companies 5-6, Sept. 4, 1957.

10 *American Hospital & Life Ins. Co. v. FTC*, 243 F. 2d 719 (5th Cir. 1957); *National Casualty Co. v. FTC*, 245 F. 2d 883 (6th Cir. 1957).

11 91 Cong. Rec. 1488 (1945).

12 White House Press Release, Mar. 10, 1945; 15 Law & Contempt. Prob. 478 (1950).

13 322 U. S. 533, 562 (1944).

14 91 Cong. Rec. 1486 (1945).

15 Civil No. 7719-S, D. C. Ala., June 29, 1954.

16 Civil No. 3713, D. C. Minn., June 30, 1954.

17 337 U. S. 293, 305 (1949).

18 144 F. Supp. 684 (1956).

19 *Id.* at 702.

20 148 F. Supp. 915, aff'd, 355 U. S. 22 (1957).

21 *Id.* at 917.

The Exchange argued among other things, that its restrictive by-laws were intended to protect the American agency system. The court, however, said that these assertions of good intent were also subject to considerable question. The evidence showed that mutual companies who are not direct writers also use the American agency system. In fact, all of the government's witnesses were mutual agents who are a part of the American agency system. Moreover, until 1950 there was an Exchange by-law which applied the boycott against participating stock companies using the American agency system, irrespective of their willingness to submit to Exchange control. Although the by-law was repealed in 1950, the evidence showed that the boycott continued. The court concluded that the reason for the boycott of mutual, as well as participating stock companies, is not the protection of the American agency system, but the prevention of a possible reduction in agency commissions caused by reduction in cost of insurance to the public.

In a decision rendered in February, 1957, the court held that this illegal group boycott must be destroyed. This decision was affirmed by the Supreme Court of the United States last October.

A situation similar to that in New Orleans exists in another city. When the insurance agents realized that they were being investigated by the FBI in our behalf, they requested us, and we agreed, to withhold the filing of the action until the litigation in the **New Orleans** case was concluded. A judgment similar to that in the latter case is now being prepared and will be adopted by consent of the parties in this second city.

Effectiveness of the Division Program

The volume of insurance complaints received by the Division reached a peak shortly after the **I.D.S.** decree. The publicity received by the decree in the mortgage and insurance fields, however, has been an important factor in educating lenders to avoid insurance tie-in practices. This in turn has led to a reduction in the number of complaints received. An official of one of the nation's large insurance associations made the following comment in a recent letter in which he summarized a series of restraints reported by the association's member companies:

"The absence of attempts at direct coercion in most of these letters indicates fine results from the campaign to publicize the consent decree in the **I.D.S.** case and the informative material issued by the Department of Justice and other government agencies."

We have also been advised by insurance agents that conditions are more competitive, that doors are now open to them which formerly were closed. This is encouraging as it confirms our opinion that responsible lenders will voluntarily seek to eliminate objectionable practices. We continue, however, to receive correspondence from insurance agents and mortgagors complaining that their selected policies have been rejected or that various obstacles have been raised by lenders. The major portion of this correspondence deals with requirements adopted by mortgagees which, without more, do not indicate a scheme to channel insurance to an affiliated agency, but, instead, can be more readily interpreted as legitimate safeguards of the mortgagee's interest.

Some of the complaints, however, do indicate strongly that the lender is not protecting a legitimate interest at all, but is employing indirect and coercive means to channel insurance to an affiliated agency and in some cases, to an affiliated company. Such abuses will continue to receive our attention.

The effect of any successful suit by the government extends far beyond the defendants who are directly concerned. Intelligent businessmen do not wish to invite litigation upon themselves, consequently they cease practices which have been held to be illegal by the courts or that have been voluntarily relinquished in consent decrees. This result followed the **I.D.S.** decree and it is following in the aftermath of the litigated judgment in the recent **New Orleans** case as is indicated by the following news item:

"New Orleans—The by-laws of the New Orleans Insurance Exchange have been amended to comply with the ruling of the Federal District Court, affirmed by the Supreme Court, that the Exchange was violating the Sherman anti-trust laws under its rules and regulations.

"Most local boards in other parts of the country already have amended their by-laws to eliminate the 'in and out' rule and similar rules which the courts held to violate the anti-trust laws."[22]

The following quotation indicates that this case is also apparently aiding in establishing a more competitive climate in Louisiana in a manner not required by the judgment itself:

"Mixed agencies in Louisiana may be in the offing if reports from the Pelican State give any indication. Stock company special agents reportedly are calling on mutual agencies to see what their attitude is. Some planting in mutual agencies may come in the next few months, observers report. Louisiana long has been a State where mixed agencies have been strictly taboo, but recent court decisions have changed the picture."[23]

In closing, I believe it appropriate to quote the court in the **New Orleans** case concerning the necessity of free competition in the insurance field:

"Our economic faith is predicated on free competition uninhibited by group boycotts or other predatory practices. Not only must merchandise stand the cold test of competition, but services performed in connection with the sale thereof must be submitted to the same test, so that in the last analysis, the public may have a free choice in spending its money, and businesses, willing and able to compete for that money, may have a free opportunity to do so."[24]

22 87 Ins. Field 13-14 (Jan. 17, 1958).

23 87 Ins. Field 20 (Feb. 28, 1958).

24 148 F. Supp. 915,920 (1957).

Now Midland Canadian

WILMINGTON, Del. — The firm name of Midland Securities Corporation, Industrial Trust Building, has been changed to Midland Canadian Corporation.

With Smith, La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Harry B. Gough is now affilated with Smith, La Hue & Co., Pioneer Building.

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Promoting Peace and Progress In the Middle East

reached to establish an Arab development institution on a regional basis.

Second—that these consultations consider the composition and the possible functions of a regional Arab development institution, whose task would be to accelerate progress in such fields as industry, agriculture, water supply, health and education.

Third—other nations and private organizations which might be prepared to support this institution should also be consulted at an appropriate time.

First Requires Arab Self-Aid

Should the Arab States agree on the usefulness of such a soundly organized regional institution, and should they be prepared to support it with their own resources, the United States would also be prepared to support it.

The institution would be set up to provide loans to the Arab States as well as the technical assistance required in the formulation of development projects.

The institution should be governed by the Arab States themselves.

This proposal for a regional Arab development institution can, I believe, be realized on a basis which would attract international capital, both public and private.

I also believe that the best and quickest way to achieve the most desirable result would be for the Secretary-General to make two parallel approaches. First to consult with the Arab States of the Near East to determine an area of agreement. Then to invite the International Bank for Reconstruction and Development, which has vast experience in this field, to make available its facilities for the planning of the organizational and operating techniques needed to establish the institution on a progressive course.

Requires Arab Leadership

I hope it is clear that I am not suggesting a position of leadership for my own country in the work of creating such an institution. If this institution is to be a success, the function of leadership must belong to the Arab States themselves.

I would hope that high on the agenda of this institution would be action to meet one of the major challenges of the Near East, the great common shortage—water.

Much scientific and engineering work is already under way in the field of water development. For instance atomic isotopes now permit us to chart the course of the great underground rivers. And new horizons are opening in the desalting of water. The ancient problem of water is on the threshold of solution. Energy, determination and science will carry it over that threshold.

Another great challenge facing the area is disease.

Already there is substantial effort among the peoples and governments of the Near East to conquer disease and disability. But much more remains to be done.

The United States is prepared to join with other governments and the World Health Organization in an all-out, joint attack on preventable disease in the Near East.

World's Debt to Past Arab Contribution

But to see the desert blossom again and preventable disease conquered is only a first step. As I look into the future I see the emergence of modern Arab states that would bring to this century contributions surpassing those we cannot forget from the past. We remember that Western arithmetic and algebra owe much to Arabic mathematicians and that much of the foundation of the world's medicial science and astronomy was laid to Arab scholars. Above all, we remember that three of the world's greatest religions were born in the Near East.

But a true Arab renaissance can only develop in a healthy human setting. Material progress should not be an overriding objective in itself; but it is an important condition for achieving higher human, cultural and spiritual objectives.

But I repeat, if this vision of the modern Arab community is to come to life, the goals must be Arab goals.

VII

With the assistance of the United Nations, the countries of the Near East now have a unique opportunity to advance, in freedom, their security and their political and economic interests. If a plan for peace of the kind I am proposing can be carried forward, in a few short years we may be able to look back on the Lebanon and Jordan crises as the beginning of a great new era of Arab history.

But there is an important consideration which must remain in mind today and in the future.

If there is an end to external interference in the internal affairs of the Arab States of the Near East:—

If an adequate United Nations Peace Force is in existence ready for call by countries fearful for their security:—

If a regional development institution exists and is at work on the basic projects and programs designed to lift the living standards of the area, supported by friendly aid from abroad and governed by the Arab States themselves:—

Then with this good prospect, and indeed as a necessary condition for its fulfillment, I hope and believe that the nations of the area, intellectually and emotionally, will no longer feel the need to seek national security through spiralling military buildups which lead not only to economic impotence but to war.

Perhaps the nations involved in the 1948 hostilities may, as a first step, wish to call for a United Nations study of the flow of heavy armaments to those nations. My country would be glad to support the establishment of an appropriate United Nations body to examine this problem. This body would discuss it individually with these countries and see what arms control arrangements could be worked out under which the security of all these nations could be maintained more effectively than under a continued wasteful, dangerous competition in armaments. I recognize that any such arrangements must reflect these countries' own views.

VIII

I have tried to present to you the framework of a plan for peace in the Near East which would provide a setting of political order responsive to the rights of the people in each nation; which would avoid the dangers of a regional arms race; which would permit the peoples of the Near East to devote their energies wholeheartedly to the tasks of development and human progress in the widest sense.

Sums Up Six Proposals

It is important that the six elements of this program be viewed as a whole. They are:

(1) United Nations concern for Lebanon.

(2) United Nations measures to preserve peace in Jordan.

(3) An end to the fomenting from without of civil strife.

(4) A United Nations Peace Force.

(5) A regional economic development plan to assist and accelerate improvement in the living standards of the people in these Arab nations.

(6) Steps to avoid a new arms race spiral in the area.

To have solidity, the different elements of this plan for peace and progress should be considered and acted on together, as integral elements of a single concerted effort.

Therefore, I hope that this Assembly will seek simultaneously to set in motion measures that would create a climate of security in the Near East consonant with the principles of the United Nations Charter, and at the same time create the framework for a common effort to raise the standard of living of the Arab peoples.

IX

But the peoples of the Near East are not alone in their ambition for independence and development. We are living in a time when the whole world has become alive to the possibilities for modernizing their societies.

Other Regional Developments

The American Government has been steadily enlarging its allocations to foreign economic development in response to these worldwide hopes. We have joined in partnership with such groupings as the Organization of American States and the Colombo Plan; and we are working on methods to strengthen these regional arrangements. For example, in the case of the Organization of American States, we are consulting with our sister republics of this hemisphere to strengthen its role in economic development. And the Government of the United States has not been alone in supporting development efforts. The British Commonwealth, the countries of Western Europe, and Japan have all made significant contributions.

But in many parts of the world both geography and wise economic planning favor national rather than regional development programs. The United States will, of course, continue its firm support of such national programs. Only where the desire for a regional approach is clearly manifested and where the advantage of regional over national is evident will the United States change to regional methods.

The United States is proud of the scope and variety of its development activities throughout the world. Those who know our history will realize that this is no sudden, new policy of my government. Ever since its birth, the United States has gladly shared its wealth with others. This it has done without thought of conquest or economic domination. After victory in two world wars and the expenditure of vast treasure there is no world map, either geographic or economic, on which anyone can find that the force of American arms or the power of the American Treasury has absorbed any foreign land or political or economic system. As we cherish our freedom, we believe in freedom for others.

X

The things I have talked about today are real and await our grasp. Within the Near East and within this Assembly are the forces of good sense, restraint, and wisdom to make, with time and patience, a framework of political order and of peace in that region.

But we also know that all these possibilities are shadowed, all our hopes are dimmed, by the fact of the arms race in nuclear weapons—a contest which drains off our best talents and vast resources, straining the nerves of all our peoples.

As I look out on this Assembly, with so many of you representing new nations, one thought above all impresses me.

The world that is being remade on our planet is going to be a world of many mature nations. As one after another of these new nations moves through the difficult transition to modernization and learns the methods of growth, from this travail new levels of prosperity and productivity will emerge.

This world of individual nations is not going to be controlled by any one power or group of powers. This world is not going to be committed to any one ideology.

Please believe me when I say that the dream of world domination by one power or of world conformity is an impossible dream.

The nature of today's weapons, the nature of modern communications, and the widening circle of new nations make it plain that we must, in the end, be a world community of open societies.

And the concept of the open society is the ultimate key to a system of arms control we can all trust.

We must, then, seek with new vigor, new initiative, the path to a peace based on the effective control of armaments, on economic advancement and on the freedom of all peoples to be ruled by governments of their choice. Only thus can we exercise the full capacity God has given us to enrich the lives of the individual human beings who are our ultimate concern, our responsibility and our strength.

In this memorable task there lies enough work and enough reward to satisfy the energies and ambitions of all leaders, everywhere.

Wanted: An Agonizing Reappraisal of Foreign Policy

"This country emerged from World War II at an unprecedented pinnacle of world power and influence. Most of the world was with us. We were looked upon from one end of the earth to the other as the great hope of mankind. Even our erstwhile enemies were ostensibly not unfriendly. In deed as well as in word, we stood for peace, progress, and the international leadership of freedom. This was the wave of the future, not communism, and no power of Soviet propaganda was able to shake that almost universal conviction.

Sen. J. W. Fulbright

"I need hardly remind the Senate that a decade later this conviction had disappeared in large areas of the world, and in many others it was gravely shaken. The first question which we must ask ourselves is, why have we slipped?

* * *

"It (the record of the past decade) shows aid extended indiscriminately to governments which serve the needs of their peoples and alike to those which do not. It shows aid eagerly and lavishly given to governments which profess their anti-communism even though their peoples with valid reason might have been disenchanted with those governments. At the same time it shows aid, reluctantly given, if at all, to governments which refuse to parrot anti-Communist lines but which, nevertheless, have deep roots in their own peoples."—Senator J. William Fulbright.

We should indeed ask ourselves why we "have slipped." The Senator's strictures—which include much more than those quoted—may well have a good deal to support them, but we suspect our most urgent task is an "agonizing reappraisal" of the role we want to undertake in this strange world era in which we live.

Halsey, Stuart Group Offers MOP Equipments

Halsey, Stuart & Co. Inc. and associates on Aug. 15 offered $4,275,000 of Missouri Pacific RR. 4¼% serial equipment trust certificates, series K, maturing Sept. 1, 1959 to 1973, inclusive. The certificates are priced to yield from 3% to 4.40% and were offered subject to approval of the Interstate Commerce Commission. The group won award of the certificates at competitive sale Aug. 14 on a bid of 98.57%.

The certificates are secured by new standard-gauge railroad equipment estimated to cost $5,508,000.

Other members of the offering group are: Baxter & Co.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co. Inc.; and Shearson, Hammill & Co.

Two With Paine Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal. — Thomas M. Cunningham and John A. Cleland have joined the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street. Both were formerly with Salik & Co.

Matthew F. Reilly

Matthew F. Reilly, partner in C. J. Devine & Co., New York City, passed away suddenly on Aug. 12 at the age of 56.

Continued from first page

Recession in Perspective

average 60% capacity, its output is almost 30 million tons above **1929**. First quarter 1958 factory sales of 2.2 million motorized vehicles were appreciably ahead of the same quarter of 1929; and the cars are now much bigger, stronger and better equipped. At that, one should bear in mind the currently vastly greater output—always **per capita** of population—of homes, farm products, electronics, household appliances, and so on, to say nothing of military equipment.

In fact, the Federal Reserve Board's index of manufacturing production (average **physical volume** per working day) stood at 128 last May, which was better than 220% of the 1929 volume.

What is **much** smaller now, is the number of—failures and foreclosures. Unemployment? On a **per capita** basis, it is practically the same as at the peak of the gay 'Twenties.

In terms of any reasonable historical reference, we are still in the midst of the Great Boom that got underway in 1942. Which is what the consumer price index shows, so far, by inching upward month after month, a behavior that would be most unorthodox in the throes of anything resembling a Serious Recession.

Evidently, our concepts of what constitutes a change in the business cycle have changed. The management of the "cycle"—the overriding objective of monetary and fiscal policy — is up against the paradox of managing by a gauge the meaning of which is neither clear nor distinct. It depends, to be exact, on the wishful thinking of the public.

Built-in Inflation

The truth of the matter is that the cycle did turn, or started to do so. But the boom's slow-down—there was probably not much more at stake—was countered by a flood of money outpour.

By last November, the world's richest country ran short of capital to maintain a reckless pace of industrial aggrandizement at rising costs. The banking system's lending power was nearing exhaustion; it was operating on the "last legs" of its liquidity. Rising interest rates served as signposts and deterrents—the automatic devices of the price mechanism. That mechanism became operative in more than one way, each enhancing the effect of the other. The inflation has stimulated an overexpansion of productive capacities along numerous lines, from basic commodities to consumer hard goods and machine tools. There simply was no market for the fantastic volume of output, actual or potential. The consequence was, for one thing, an unprecedented inventory accumulation. The confusion was confounded by elimination of over-indebted consumers as buyers; the unavoidable process of inventory liquidation; the growing inclination of speculators to clear-up commitments; and by the fact that large segments of the population were being "priced out" of the markets.

There was no sign of a panic. But the politicians became panic-stricken. Expenditures on Federal public works were increased by 50% over what they were two years ago. Administration and Congress were competing in boosting military and "social" spending, Federal payrolls, all sorts of open or hidden subsidies and guarantees. All ideas about economy in the governmental household were heading for the waste basket. States and municipalities followed suit with road building and other construction projects. Simultaneously, the Federal Reserve stepped into the act with open market operations and reserve requirement reductions in order to provide a plentitude of loanable funds and to restore the liquidity of the banks (an objective that was not difficult to attain in the face of a declining demand).

Inflation with Inhibitions

The results are disappointing for optimists and pessimists alike. There was general agreement that the recession has reached, or passed, the bottom, with a fresh upturn around the corner, very near or somewhat remote as it may be. The inflationary expectations were mirrored in rising stock market quotations. ("Thanks" for the reduction, last January, of margin requirements on security loans!) But inflationists of all denominations are not satisfied with a Federal deficit of \$10-to-\$12 billion in the offing for the fiscal year 1958-59. Labor spokesmen, especially, and other protagonists of a 3% or 4% annual rise of prices, are anxious to light again the inflationary fuses. They want "quick and effective" action, speedier contract allocations, more deficit spending faster disbursed, preferably also tax reductions.

But since mid-April, second thoughts emerged. People could not fail to realize that **no snowballing depression**, with massive liquidation of debts, was in the cards. It does not take financial experts either to comprehend that deficit financing cannot end as abruptly as it had started; that it will continue for years, presumably; or that its inflationary impact is bound to be greatly enhanced by the monetization, through the banking system, of the government's obligations. The national debt ceiling that had been raised earlier this year from \$275 billion to \$280 billion, had to be upped to \$288 billion. And that will not be the end of it, to be sure. But a nation of savers, which is what America is, does not acquiesce lightly to the deterioration of its liquid savings, bond holdings, life insurance and social security claims — totalling close to **one trillion dollars!**

The Dollar's "Achilles Heel"

Misgivings about the future of the dollar are greatly enhanced by an immediate threat to its stability. It comes from a side which was least expected to cause trouble.

By implication, if not consciously, the American monetary authorities operated through the postwar era under the assumption that the dollar is invulnerable from the outside. Every country that is not locked up behind the Iron Curtain has foreign exchange problems, actual or potential, to contend with. Not so, the United States. Backed by two-thirds of the Free World's (visible) gold reserves, and by a chronically favorable (current) balance of international payments, we were supposed to be free of such "nuisance." We could indulge to our hearts' desire in domestic inflation and in Foreign Aid; the latter cost us some \$70 billion in 12 years' time. The dollar could take it on the chin; it remained the leading currency, the global unit of account, and the repository of foreign central reserves. This was predicated on the outer-world's confidence that foreign-owned balances held in this country would remain convertible into gold at the rate of \$35 per ounce.

Almost at once, the confidence was shaken. The cautious Bank of England started with converting dollar balances — interest-bearing Treasury securities!—into ear-marked gold. Other central banks followed the lead. Between Feb. 19 and Aug. 13, America's gold reserve shrank by \$1.64 billion to the lowest level (\$21.15 billion) in many years. But the total of foreign short-term holdings remained stationary: our balance of payments having turned unfavorable—"thanks" to Foreign Aid—private dollar reserves held abroad could increase as the official ones decreased. The debts stay, but the gold to cover them seeps out.

So far, Washington authorities disclaim any worry about this development. In reality, there is ample reason to worry. While we lost gold to the tune of \$1.6 billion, the money supply (cash in circulation and net adjusted deposits) has risen, with seasonal fluctuations, by four billion dollars, is not more. The latter keeps going up, the former down. The status of the Federal Reserve System itself is worsening progressively. **Pari passu** with the gold losses, its bond portfolio has grown to the tune of \$2.25 billion. With some \$25.6 billion it is now, after 13 years of unprecedented prosperity, at an all-time peak!

What worries the European central banks—and incites their wishful imagination—is the prospect of a huge and "permanent" deficit in the U. S. budget. Most of that deficit has to be "coined out" by way of bank credit, the central bank monetizing a major portion. A self-inflaming vicious circle has been set in motion. More deficit generates more money; the prospect of more inflation sparks devaluation expectations (at home as well as abroad), in turn causing gold outflow that calls for more debt monetization and more money printing, and so on.[1]

Note that this situation has developed under reasonably peaceful conditions. What would happen if an international crisis should occur—if, for example, the Middle East pot should really boil over?

[1] According to reliable reports, a new buyer appeared on the London gold market: American "private accounts." Lately, thanks to the strong declaration of the Secretary of the Treasury against devaluing the dollar, the gold outflow slowed down to a trickle. It may restart again when price inflation gets under way.

Expansion Plus Contraction

American fiscal and monetary authorities are caught on the horns of a nightmarish dilemma. They must not permit unemployment to spread, or even to stay; and they must not permit the incipient run on the dollar—on the gold reserve—to grow much further. The one objective requires expansion; the other, contraction. Both are mandatory.

For practical purposes, one may count on rapid changes from one policy line to the other. We may have inflation for a while (until the November elections?) and deflation thereafter. In the meantime, the Federal Reserve has refused to support the long-term bond market more than sporadically, letting interest rates climb all along the line. It has also raised the margin requirements for security loans, and at this writing the discount rate is being upped from $1\frac{3}{4}$% to 2%. The Defense Department spends freely with the right hand, as it were, but announced that the left hand will institute economies, such as they are. In the same chapter of "sobering up" belong the Presidential vetoes to stop some spending measures.

So far, the interferences with the course of the "cycle" have one tangible result: the necessary adjustments in the wake of the long boom had been held up. Private debts are mounting; inventory liquidation is slowing down. Labor is scoring currently "surprising bargaining table gains," heralding a fresh turn of the wage-price spiral. Raw material output fails to contract as it should in view of the commodity price declines. In the retail trade, manufactured products are reluctantly, if at all, adjusted to the reduced demand. The recession may have been prolonged. In any case, the coming upturn is bound to be accompanied by a cumulation of mal-adjustments. It will have to be supported by a massive outpour of Federal Reserve funds—debt monetization.

By all indications of the **longer-run** outlook, we are heading for inflation, if not for devaluation. Yet, it is hard to believe that the world's richest country should proceed recklessly to ruin its currency, to defraud its savers, to upset its economic system. Let us hope that the public will awaken to the threat of impending catastrophe before it is too late.

Lee P. Stack to Be Paine, Webber Partner

Lee P. Stack, formerly Financial Vice-President of the John Hancock Mutual Life Insurance Company, has been invited to become a general partner of Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange, on Sept. 1, it was announced by Lloyd W. Mason, executive partner of the coast-to-coast investment firm.

Mr. Stack joined John Hancock as assistant treasurer in 1933. He was subsequently promoted to Vice-President and since 1954 has also been a director. In addition to his post at John Hancock, Mr. Stack is chairman of the executive committee of the New York, New Haven & Hartford Railroad, director of the National Shawmut Bank of Boston, Long Island Lighting Company, Northern Insurance Company and is an active member of the Massachusetts Business Development Corp.

Before coming with John Hancock, Mr. Stack was associated for several years with the Seaboard Air Line Railway, and later with a member firm of the New York Stock Exchange. He attended Trinity College, now Duke University.

Charles Alan Co. Formed

Charles Alan & Co., Inc. has been formed with offices at 150 East 56th Street, New York City, to engage in a securities business.

W. H. Biesel Opens

BUFFALO, N. Y. — William H. Biesel is engaging in a securities business under the firm name of William H. Biesel & Company from offices at 19 Benwood Avenue.

Form Boro Investing

BROOKLYN, N. Y. — Boro Investing Corporation has been formed with offices at 1008 Gates Avenue to engage in a securities business.

Continued from first page

As We See It

and unrest in all these parts of the globe is traceable to the deliberate incitation and proselyting of the Kremlin which hopes to profit by the trouble it causes other nations and other types of social and economic organization, and ultimately to rule the world, but these machinations are successful for the reason that the waters are already troubled.

Real Help Only From the West

In the presence of imperialistic Russia such conditions tend to increase the danger of international conflicts, even catastrophic world war. They call for remedial or curative action if and when any such action is available. Any real help will, of course, have to come from the anti-communist nations. Communists do not want conditions to improve until they take over, and are not likely to do very much in the way of helping them to get better. Their cure for everything is surrender to the Kremlin. Western powers, so-called, are now coming forward with programs which must have very candid study and analysis lest misunderstanding and false hopes arise which in the end will leave matters worse instead of better.

Two concrete proposals have come before the world within the past week. One of them is that which the President of the United States placed before the United Nations last week, and the other comes from Brazil, apparently as a result of the recent visit of the United States Secretary of State to Rio de Janeiro. The President, in addition to certain proposals of a political or military nature, set forth a plan for the economic rehabilitation of the Middle East, supposedly the **sine qua non** of any quieting of the nations of that area. He would draw a "regional economic development plan to assist and accelerate improvement in the living standards of the people in these Arab nations." His idea is "to establish an Arab development institution" whose function it would be to "accelerate progress in such fields as industry, agriculture, water supply, health and education." Such an institution, he thinks, should be governed by the Arab states themselves, and he gives assurance that should the Arab states find such a proposal acceptable and are willing to put their own funds into it, the United States would also contribute.

A broadly similar proposal now comes out of Brazil and has to do with Latin America. Whether or not it was inspired by our Secretary of State, we have no way of knowing, but the President has let it be known that "we are consulting now with our sister republics of this hemisphere to strengthen its (organization of American States) role in economic development." There is, of course, nothing new in principle in all this. We have been pouring out our substance without stint in many directions since the close of World War II—and for supposed purposes rather similar to what is now being proposed. Whenever we have been inclined to reduce the volume of our gifts, we have usually been labeled "Uncle Shylock" by many who should have been eternally grateful for what he had done for them. The ultimate result of our efforts and our generosity, history only will reveal. Only history can decide what may be accomplished by such plans as the President and the others are now making for the Middle East and other regions.

Programs Have Limitations

Meanwhile, however, certain observations about the basic nature of these and other similar procedures are definitely in order. In the first place, they all take a leaf from the notebook of communism. Capital—to say nothing of outright gifts of consumers goods—moving from one nation to another in any such way as this is a matter wholly different from the natural international flow of private funds in years gone by—such flows of funds as contributed so largely to the development of the United States during the 19th century, for example. Here is a scheme or schemes which are essentially state controlled and state managed. They more nearly resemble the operation of the five year plans of the Soviets than they do the older international investment of private funds. Decisions to place funds into this or that type of endeavor are not made by businessmen on business principles, but by politicians on the basis of considerations which have little or nothing to do with the economic success of the operation, or even its continued existence once the flow of funds is at an end. It is doubtful if the world realizes how socialistic the world has become in this as well as in various other particulars.

In the second place it is in order to remark that no such schemes as these can at best do very much for the beneficiaries of foreign generosity without the active, intelligent and vigorous cooperation of the masses of the nations to which the funds are given. Even the vast riches of this country could not possibly supply enough of the good things of life to make a very great and lasting contribution to the hundreds of millions of destitute in the regions in question. Capital contributions would be of great value only if effectively employed. This is but another way of saying that the salvation of all these peoples lies in their own hands. At best we can but give them measurable assistance.

When all the world comes to a realizing sense of facts such as these, a basis will have been laid for real progress.

Continued from page 7

Long-Term Outlook for Energy —Including Natural Gas

is currently in excess of 11 cents per Mcf. and has been increasing substantially in recent years. Current contracts are being written in the range of 20 to 25 cents. However, it seems inevitable that natural gas will become a more important part of the operations of major oil companies in the future, and it seems unlikely to me that over the long-term these companies will adopt pricing procedures which will limit the market for a major source of revenues. It should also be remembered that inadequate drilling will result in higher natural gas prices because of the resultant imbalance of supply and demand. We are faced with the problem of straddling a fine line on natural gas prices which will be adequate to encourage a high level of exploration on the one hand, and will still permit natural gas to be competitively priced on the other hand. This is a problem in which all segments of the industry have a major stake, and over the long-term relatively little conflict of interest is apparent. Under these circumstances I am confident that workable solutions will be evolved.

Assigning Exploration Costs to Gas

As natural gas becomes a more important source of revenue for large oil companies, it seems likely that the proportion of wells drilled where natural gas is the objective, as opposed to crude oil, will increase. This raises the possibility that in the future a major portion of exploratory costs will be assigned to natural gas, as opposed to the historical accounting technique of assigning exploratory costs to oil and treating natural gas as a by-product. Such a procedure would have significant implications in terms of the price of natural gas. Theoretically oil should never have borne the complete exploration cost except in those instances some decades ago where no market for natural gas existed. It may be a wise step for the long-term future of the gas industry, to recognize the validity of assigning some portion of current exploration and production costs to natural gas, and to work with oil companies in developing an equitable procedure for such gas cost allocations, so that in coming decades the same techniques can be utilized to assign some portion of costs to crude oil, rather than treating all exploratory costs as a charge against natural gas.

Some publicity has been accorded to the fact that exploratory drilling is becoming substantially more expensive than it was only a few years ago. At first glance this is undoubtedly true. The average cost per well in 1941 was $22,000, and last year it was approaching $58,000. However, if we state these costs in terms of constant dollars, to eliminate the effect of inflation, the cost is up only from $22,000 to $28,000, an increase of 26% in the 17 years. This compares with an increase in the average depth of wells of 30%. It will thus be seen that the increase in exploratory costs attributable to the need for deeper wells is not as substantial as generally thought; furthermore, much of this increase is offset because larger quantities of natural gas are discovered per foot of formation at deeper depths due to higher pressures at the bottom of the hole, and because higher proportions of the wells yield natural gas rather than crude oil. Inflation is undoubtedly the major influence creating increased drilling costs and higher natural gas prices at the wellhead. But it does not seem likely that inflation should have a markedly different impact upon gas costs than upon coal, oil, or any alternative source of energy. Furthermore new technological developments will undoubtedly reduce the cost of deep drilling in the future.

Although current oil demand and prices may have obscured it, there has been a long-term trend toward higher posted prices for crude oil, which is comparable to increases in the wellhead price of natural gas. There is no doubt in my mind that the demand for oil throughout the world is going to increase at an extremely steep rate, so that any weakness in crude oil prices will be temporary. Pressure for industrialization of the so-called "backward" countries of the world is increasing rapidly. Palmer Putnam has developed a number of interesting suppositions regarding the future rate of growth in the demand for energy of these backward countries, which I am sure will provide interesting reading for those who wish to investigate this particular subject further. Most of these countries may approach our own level of industrialism within the next four or five decades, by adopting the production techniques which we have evolved over a long period of years, without being handicapped by the need to pursue numerous blind alleys before locating the avenue of profits. It is also fairly apparent to most students of world energy that the major energy source for such backward countries will be oil. This will surely be influential in creating continuing upward pressures on oil prices during the future. It will also reduce the amount of oil available for competitive purposes in this country.

Increased Royalties Abroad

Furthermore, the agitation in foreign oil-producing countries for increased royalties will increase, as these countries demand greater compensation for the gradual exhaustion of their natural resources being used to foster the industrialization of fuel-poor countries. This additional upward pressure on world oil costs will be reflected in the prices of domestic oil.

Let me review briefly our projections of the amount of oil which will be required in one of the principal noncompetitive areas in this country—vehicular fuel. If we develop a trend of historical ratios of passenger cars per capita, and extrapolate this into the future, we find that by the year 2000 there will be 605 automobiles per thousand people compared to 310 per thousand in 1955. Although this possibility may seem far-fetched to some, I think it may be realistic as shorter work weeks and higher living standards provide more opportunities for leisure and as the trend toward industrial decentralization and factory location in suburban or rural areas, and necessary worker dependence upon automobile transportation, increases.

Multiplying these projections of cars per capita by estimated population in the year 2000 indicates that there will be 200 million automobiles in the United States at that time, compared to 52 million in use in 1955. Even if gallons used per car should not increase, possibly because of more widespread use of smaller automobiles with more efficient engines, this would represent a 300% increase in the consumption of gasoline (or some alternative fuel) for automotive use. In passing it might be noted that this rate of increase is substantially higher than the rate of growth in net production of natural gas during the same period of time. To illustrate briefly the favorable position of gas within the competitive areas of the economy, I understand that a principal oil company in the East is examining the economic advantages of withdrawing completely from the home heating market, and using its refinery capacity for other products which are either more profitable or in which the competition is less severe.

Coal Hazard

All of you are familiar with the declines in coal production during the past decade. In the home heating market coal is virtually restricted to older homes which have not yet been converted to either gaseous or liquid fuels. The preference of home purchasers for gas heating is illustrated by the most recent survey of the U. S. Bureau of Labor Statistics, which indicated that 74% of all new homes used gas heating, with the remainder overwhelmingly using oil. The dieselization of the railroads has been virtually completed, and even coal-hauling railroads are gratefully accepting the cost savings which dieselization has brought. In the field of vessel propulsion, coal maintains a position of importance, but over the long-term future this is one area of vehicular utilization in which atomic energy may make some inroads. Accordingly, for fuel purposes, it appears that the future of coal is tied almost exclusively to electric generation.

Coal prices have shown the same general long-term upward trend as oil and gas. The coal unions have, under the leadership of John L. Lewis, been unusually perceptive in their timing of wage increase requests. All is peaceful and serene when the market for coal is static or falling, but when demand is rising the frequency and magnitude of wage requests rise correspondingly. Furthermore, employment in the coal industry has declined drastically in recent years, as many older men have left the mines and the work has not become sufficiently attractive to stimulate young replacements. As recently as 1950 there were over 415 thousand employees of bituminous coal mines, and in 1955 the total was only 210 thousand. Since coal production declined only 10% during the same period, it is obvious that the bituminous coal industry has been successful in achieving at least some gains in productivity.

However, the slow pace of de-

velopment of automatic equipment for coal mining is well known, and the huge machinery required for efficient operation achieves its maximum economic justification in thick deposits of coal which are becoming scarcer, rather than those of average or lesser thickness. In view of the inadequacy of labor supplies, the relatively slow development of automatic mining equipment, and the probable continuation of demands for higher wage rates during periods of increasing coal output, it seems reasonable to assume that upward trends in minehead costs of coal will continue. Incidentally, some indication of the importance of labor costs can be realized by noting that minor pay represented 50% of the average minehead value of coal in 1953.

Many people have quoted unthinkingly various estimates of coal reserves in this country, which stress their huge magnitude compared to reserves of gas and oil. For those interested in a detailed analysis of why most coal reserve estimates are seriously overstated, let me refer you to the section of Palmer Putnam's book beginning on page 124. He concludes that of the total United States coal reserves, only 10% are recoverable by present mining methods at substantially present costs.

Electric Energy

Let us examine the possibility that electric energy will offer serious price competition to natural gas in the future. Such electricity can be generated by hydro power, conventional fuels, or atomic energy. At the present time virtually all of the most economically desirable sites for hydro-electric development, particularly when considered in conjunction with population density, are being utilized. Accordingly it does not seem likely that electricity generated by hydro-electric facilities will be an important factor in future incremental electric production. With regard to electricity generated from conventional fuels, we have already seen that the prices of coal and oil will continue to increase in the future in a manner roughly comparable with those incurred by natural gas. Accordingly, it does not seem likely that such plants will achieve any significantly better competitive position than at the present time. Furthermore, during 1956 production costs aggregated only 33% of total electric operating revenue deductions, while fuel costs amounted to only 20%, so that even if some substantial reduction of fuel costs could be accomplished, the competitive impact would be minimized.

During recent years many electric utilities have been able to absorb the rate increases which would have been occasioned by the forces of inflation, because they were able to achieve significant cost savings in electric generation by using more efficient and larger plants. Many people in the electric industry have speculated that fuel conversion efficiency factors are now approaching an optimum level, beyond which further improvement would be extraordinarily difficult without major research breakthroughs. It seems likely that in the near-term future the electric industry will be joining the gas companies in frequent trips to state and Federal regulatory commissions in search of higher rates.

Atomic Energy

There remains the question of how important atomic energy will bulk in the future. Many electric companies, either individually or in combination, are constructing plants of various types and sizes to generate electricity by atomic fission. As an optimum, such plants would eliminate almost completely the cost of fuel, thus effecting relatively important operating cost savings. However, the excess capital cost of an atomic generating station compared to one fueled by conventional materials, will probably more than overcome the operating cost savings at least within the near-term future. For more distant years the picture may change and some of the excess construction and financing costs may be eliminated.

Even assuming that an atomic plant costs the same money per KW of capacity as a fuel-powered plant, and could achieve a zero cost on fuel, we must keep in mind the relatively small proportion which fuel represents of total costs. Furthermore, the capital costs of atomic energy generating stations will be subject to the same inflationary factors during the future as those using conventional energy sources. Analyses speculating upon future capital costs of atomic generating stations should always be scrutinized carefully to determine whether they are discussing cost in constant dollars (as they usually do) or whether some realistic assumption regarding inflation is used.

Even if the future of electricity generated from atomic energy were extremely bright, and if some significant cost savings could be effected, we still have political problems. The utility industries through the years have become accustomed to combating pressure for public ownership of energy distributors, but the extent to which some pressures exist for atomic generation of electricity is substantially greater than for alternative sources of energy. While I have confidence that men of good judgment will prevail, and they will recognize the advantages of private developments of atomic power, this may not occur overnight and arguments regarding private vs. public responsibility for such facilities may delay substantially the development of atomic electric power.

Some people have speculated upon the possibility that the home of the future may contain an integrated power source in the basement, utilizing radioactive wastes to meet the complete energy needs of the house. Such an eventuality would have major repercussions on the gas and electric utilities, but I think it unlikely to occur. In the first place the hourly and daily diversity of household requirements for energy are substantial and any self-contained power unit would require extremely complicated controls to vary its output satisfactorily to meet widely differing demands. And as the controls become more complicated, servicing problems are magnified substantially. I suspect that the householder would demand extremely prompt and precise servicing on a unit with the potential hazards inherent in radioactive waste materials. Even if adequate servicing were available, the potential dangers would undoubtedly discourage major segments of the population from using such equipment.

As some of us know, the very remote possibility of hazard created by the use of gas already causes some concern in the minds of a small minority of our population. Some idea of the furore which might accompany the installation of atomic equipment in the basements of homes may be realized by the opposition of many cities to construction of large central atomic generating stations within reasonable distances of metropolitan areas, even though such stations undoubtedly afford safety precautions of a magnitude far in excess of those which could economically be used on household equipment.

Solar Energy

Much discussion has been devoted to the possibility of utilizing solar energy as a source of heat for all household purposes. As yet, however, no reasonable economic procedures have been developed to permit effective collection of energy from the sun and storage of such energy for use during cloudy periods. The storage problem is most serious since absence of dependability of energy is a major drawback. It also seems possible that over a long period of time the proportion of cloudy weather throughout the country may increase, as high levels of industrialization and gasoline consumption by automobiles create air pollution. One of our A. G. A. research people feels that various types of plastics offer good promise for efficient collectors and concentrators of solar radiation, but he is less optimistic regarding the prospects for storage.

One additional drawback to efficient energy storage is that all procedures so far considered require large amounts of area, and under any reasonable assumption of future residential construction costs, space is a costly commodity. The storage problem is further complicated by the possibility that many of the chemicals which might be used have an inadequate life expectancy, thus greatly increasing operating costs. Dusting off our crystal ball again, it does seem possible that within the period of time covered by this paper, the development of effective and economical collectors of solar energy is feasible.

Summary

Just a few concluding sentences to summarize what I have attempted to review. The total demand for gas will increase from 10.1 trillion cubic feet annually in 1955 to 34.8 trillion cubic feet in the year 2000. Total remaining reserves of natural gas are currently 1,400 trillion cubic feet. These reserves will be adequate to supply the increase demands of the economy for natural gas through the year 1990, at which time some supplementation by synthetic natural gas will be necessary. In the year 2000 we will still have 462 trillion cubic feet of recoverable gas reserves in the ground, although annual production of natural gas from underground formations will be declining at the rate of about one trillion cubic feet per year. There are no foreseeable factors which make me believe that the competitive position of gas compared to coal and oil will deteriorate appreciably during the next four decades. Atomic energy does not seem to be a serious hazard to the gas industry in view of its costs and the burgeoning demands of the nation for energy of all types. The possibility that solar energy may make some inroads on gas demands is a more distinct possibility, but one which cannot be quantitatively evaluated at the present stage of the art. In short I foresee at least four decades of expanding gas industry operations, with the industry becoming even more dominant as a supplier of energy to the nation.

Norris Hirshberg Branch

DALTON, Ga.—Norris & Hirshberg, Inc. has opened a branch office at 106 South Pentz Street under the management of Byron D. Harris. Mr. Harris was formerly local manager for McNeel-Rankin, Inc.

With L. F. Rothschild

L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announced that Leonard M. Heine, Jr., has joined the firm as assistant manager of the special sales department.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

We are beginning to hear, through the newspapers and from Washington releases, that the recession has hit bottom and that from here on there may well be a recovery from what had been described as the most severe, yet shortest business recession since the war. Certainly, if we are on the way out of it, the set-back may well be catalogued as a short one.

The release of Friday, Aug. 8, of the Federal Reserve stated that business loans increased $82,000,000 in the preceding week; and it was only as recently as June 30 when the same source reported that business loans rose in the week $268,000,000 to $11,053,000,000, reducing the cumulative decline since Christmas, 1957, to $741,000,000. As of the same June date in 1957 total loan volume of these New York banks was $12,081,000,000. This was an 8½% shrinkage in volume, not a big decline when set alongside the drop in activity in many industrial lines of business.

Indeed, the 13 leading banks of the city as of June 30, 1958, reported an average contraction of loan volume of only 8/10 of 1% compared with June 30 a year earlier. Not to be overlooked, of course, is the factor of loan rates; and these are lower than, for an example, a year ago. But there is another facet, and that is that while loan volume was showing only modest declines, U. S. Government obligation holdings have increased sharply. Here the percentage gains over a year ago from June 30, 1958, run as high as 89% for Bankers, 82% for Chase Manhattan, 73% for Hanover, etc., for an average of about 48%.

It may be said that the weakness in the government bond market hits the banks whose holdings have increased so much; but the banks are committed in their buying of governments to relatively short-term paper which, for one thing, has not suffered marketwise as have long-term bonds; and, for another thing, matures at par at a comparatively early date and thus enables the banks to reinvest on a rapid roll-over basis either in securities or in loans if the demand for loan accommodation has improved.

In the face of some substantial shifting of positions from bank stocks to the more volatile equities that are advancing, the New York City bank stocks are giving a steady performance. Of course the principal reason is that whereas industrial earnings are off to a considerable degree, and dividend cuts have been numerous, bank earnings are in a majority of cases higher than a year ago, and on average pay-out, when related to operating earnings, continues low at about 54%. There is thus room for dividend increases, although this department does not look for any higher rates except the extras that were paid for the 1957 year-end.

At the June 30 statement date a number of the banks reported substantial realized securities profits for the six months. These were of such size ($20,938,000 for Chase Manhattan; $9,178,000 for Hanover; $7,677,000 for Chemical Corn Exchange, and others of lesser degree) that they could well turn out to be good offsets to any securities losses arising from the bad bond market at this juncture. And, unquestionably the banks are still carrying bonds that were acquired at even lower levels than those now ruling.

A Standard & Poor's release discusses inventories. The Department of Commerce stated that the rate of inventory liquidation in this year's first quarter was $9.5 billion; and the President's Council of Economic Advisors said that this rate was maintained through the second quarter. If one of the big industries that use, for example, a considerable volume of steel, there could, if motor car production increased, be a rush to build up inventories.

In the past several weeks there have been indications of slight firming in rates. Twice recently we have seen announced increases in bankers' acceptances, and there also has been an increase in commercial paper rates. These improvements have been small, to be sure, but it is possible that they point the way; and several bank officials have indicated to this writer that they expect a firming of rates generally by about the turn of the year. However, any such change for the better will be from a higher rate level than at the start of the last major move in interest rates.

This is no time to be bearish on the banks.

Vadman, Taylor Named By Wm. P. Harper Son

SEATTLE, Wash.—Wm. P. Harper & Son & Company, Incorporated, 1503 Third Avenue, announce that Willard B. Vadman has been appointed Vice-President in charge of the municipal department, and C. Arnold Taylor, Vice-President in the trading department.

Bradford Secs. Formed

Bernard B. Brown is engaging in a securities business from offices at 220 Fifth Avenue, N. Y. C., under the firm name of Bradford Securities Company.

Combined Investing Co.

John J. Collins is conducting a securities business from offices at 150 Broadway, New York City, under the firm name of Combined Investment Company.

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The Rule of Reason Is Inescapable

preted, it is not unlikely that in the conference stage of *Trenton Potteries* Justice Brandeis might have been able to suggest, and a majority of the participating Justices might have been willing to accept, some sentences and paragraphs that might have changed Justice Stone's draft opinion for the Court, and might have precluded the possibility that anyone thereafter reading the Court's opinion could derive the impression that in *Trenton Potteries* in 1927 the Supreme Court had decided that all price-fixing agreements are "*per se* illegal," and that the Rule of Reason as applied and used by the Supreme Court in *Standard Oil* and *American Tobacco* is inapplicable to price-fixing.[29]

"Per Se Illegality" Approved

In May 1940 the Supreme Court in *Socony-Vacuum*[30] reviewed buying programs in which a number of oil companies selling about 83% of all gasoline sold in the Mid-Western area were charged with raising and maintaining prices by buying up "distress gasoline" on the "spot" market.[31]

Early in the Supreme Court's opinion in *Socony-Vacuum* the Court devoted 45 pages to an analysis of the facts in the style of the Rule of Reason.[32]

These pages would have been a suitable background for a Supreme Court decision that would hold the buying program in *Socony-Vacuum* a plain violation of the Sherman Act as interpreted by the Rule of Reason according as the Supreme Court applied and used the Rule in *Standard Oil* and *American Tobacco* in 1911.

But instead of following this course the Supreme Court decided *Socony-Vacuum* squarely upon the doctrine of "*per se* illegality."

Closing this branch of the Supreme Court's opinion in *Socony-Vacuum*, the Supreme Court referred obviously to *Trans-Missouri Freight Association* in 1897 and *Joint Traffic Association* in 1898 in this remark:[33]

> "Thus for over 40 years this Court has consistently and without deviation adhered to the principle that price-fixing agreements are unlawful *per se* under the Sherman Act and that no showing of so-called competitive abuses or evils which those agreements were designed to eliminate or alleviate may be interposed as a defense."

Here by an out-of-hand generalization the Supreme Court in *Socony-Vacuum* reinterpreted over 40 years of its decisions in price-fixing cases as deciding that all price-fixing agreements are "unlawful *per se*."

Two members of the Court did not participate in the consideration and decision of *Socony-Vacuum*, Justice Murphy because he was Attorney General while the case was pending, and Chief Justice Hughes because some of the *Socony-Vacuum* defendants had been his clients while Chief Justice Hughes was in private practive in New York from 1916 to 1930.

Justice McReynolds and Justice Roberts who dissented from the Court's opinion in *Socony-Vacuum* expressed no dissent regarding the Court's discussion of "*per se* illegality."

Justice Brandeis had retired from active service in the Court the year before *Socony-Vacuum* came to the Supreme Court.

If Chief Justice Hughes and Justice Brandeis had been able to participate in the consideration and decision of *Socony-Vacuum*, they undoubtedly would have vigorously contested numerous passages in the Supreme Court's opinion in *Socony-Vacuum*.

Two passages in the Supreme Court's opinion in *Socony-Vacuum* raise serious questions of interpretation:[34]

The first passage may be interpreted as saying that "the *American Tobacco* and *Standard Oil* cases"—that is, the Rule of Reason—can "have no application to combinations operating directly on prices or price structures" e.g. price-fixing agreements.

The second passage may be interpreted as saying that "illegal *per se*" means that the Rule of Reason can never be applied to any conduct that is "illegal *per se*."

If the Supreme Court means that these two passages must be interpreted literally, how can the Court explain the 45 pages early in its opinion,[35] and the 18 pages later in its opinion,[36] which the Court devoted to copious discussion of the facts and the law in *Socony-Vacuum*, in exactly the style of the Rule of Reason as the Court applied and used it in *Standard Oil* and *American Tobacco*?

Blind Alley

If the Court is prohibited from applying and using the Rule of Reason, or reasoning in the style of the Rule of Reason, how else can the Court ever determine whether the conduct under review is or is not a price-fixing agreement or some other "*per se* illegal" conduct?

Socony-Vacuum thus illustrates two truisms which the Supreme Court emphasized in *Standard Oil* and *American Tobacco* in 1911:

First, it is utterly impossible to interpret and apply the Sherman Act without using the Rule of Reason and applying it to the facts and circumstances of each case,[37] and

Second, as the Supreme Court remarked in *Standard Oil* with respect to *Trans-Missouri Freight Association* in 1897 and *Joint Traffic Association* in 1898, the Supreme Court sometimes has applied and used the Rule of Reason in the very decisions in which the Court was denying the Rule's existence.[38]

Clearly the Supreme Court's opinion in *Socony-Vacuum* has overruled a considerable part of the pre-existing law.

This raises the very pertinent question:

How much territory has really been lost to the Rule of Reason, and how much territory has really been gained by the "*per se* illegality" doctrine, because of the Supreme Court's opinion in *Socony-Vacuum*?

Doctrine Fosters Lip-Service Cliches

After *Socony-Vacuum* was decided in 1940, a number of Supreme Court decisions discussing charges of price-fixing agreements and other "*per se* illegalities" demonstrated in a variety of ways that notwithstanding the Supreme Court's use of "*per se* illegal" and other "*per se* illegality" cliches, the Court placed great reliance on weighing by reasoning in the style of the Rule of Reason the available facts relevant to the conduct that was under review, so as to ascertain the over-all purpose and effect of that conduct, and to adjudge thereby whether the Sherman Act forbade or permitted that purpose and effect.[39]

Between 1940 and 1953 the Supreme Court used the term "*per se* illegal," or "unreasonable *per se*," or some other "*per se* illegality" cliche in at least a dozen antitrust cases, but nevertheless in the Court's opinions in those cases the Supreme Court devoted a total of at least 236 pages to reasoning in the style of the Rule of Reason in the course of deciding whether the conduct under review in those cases did or did not violate the antitrust laws.

Notwithstanding the use of "*per se* illegality" cliches throughout the Supreme Court opinions, it is impressive that in determining whether the antitrust act forbade or permitted the conduct under review the determining factor was not so much these "*per se* illegality" cliches as it was the over-all purpose and effect of the conduct that was being reviewed.[40]

The search for this over-all purpose and effect dominated throughout these decisions, and copious pages were devoted to discussing the facts and the law, with reasoning in the style of the Rule of Reason, just as the Supreme Court applied and used the Rule in *Standard Oil* and *American Tobacco*.

In *Columbia Steel* and *Times-Picayune*, reasoning in the style of the Rule of Reason, when used and applied on charges of "*per se* illegality," disproved the charge of "*per se* illegality," and also disproved the charge that the law had been violated.

Emboldened by *Columbia Steel* and *Times-Picayune*, several lower court Judges after 1953 began to voice dissatisfaction with the "*per se* illegality" doctrine as stated in *Socony-Vacuum* in 1940, and to express their preference for weighing by the Rule of Reason the available facts relevant to the conduct under review, so as to ascertain the over-all purpose and effect of that conduct, and to adjudge thereby whether the Sherman Act forbade or permitted that purpose and effect.

In 1957 in *National Screen Service*[41] the Supreme Court took a step in the direction of warning lower court Judges to proceed with caution in ordering summary judgments based on the "*per se* illegality" doctrine, and in the direction of encouraging lower court Judges to exercise their sound discretion to weigh with reasoning in the style of the Rule of Reason the available facts relevant to the conduct under review, so as to ascertain the over-all purpose and effect of that conduct, and to adjudge thereby whether the Sherman Act forbids or permits that purpose and effect.

In 1957 in *New Orleans Insurance Exchange*[42] the defendant was a private association of 130 insurance agencies which controlled approximately three-fourths of the fire, casualty and surety insurance business in the New Orleans area.[43]

The Government charged the defendant with a "*per se* violation of the Sherman Act" by maintaining a group boycott against all nonmember insurance agencies as well as against all insurance companies which do not plant exclusively through Exchange outlets or members.[44]

The District Court held that this boycott violated the Sherman Act, but refused to base its decision on the Government's contention that the bylaws "constitute a *per se* violation of the Sherman Act," stating that "it is not necessary to decide this case on a *per se* basis. The rule of reason dictates that this illegal combination must be destroyed."[45]

On appeal to the Supreme Court by the New Orleans Insurance Exchange the Supreme Court in 1957 affirmed *Per Curiam* the District Court judgment against the Exchange.[46]

Thus in *New Orleans Insurance Exchange* the Supreme Court indicated its approval of the District Court for expressing its dissatisfaction with the "*per se* illegality" doctrine, and its preference for weighing by the Rule of Reason the available facts relevant to the conduct under review, so as to ascertain the overall purpose and effect of that conduct, and to adjudge thereby whether the Sherman Act forbade or permitted that purpose and effect.

No Step Backwards Seen

Does *Northern Pacific*[47] which the Supreme Court decided on March 10, 1958 indicate a discontinuance or slackening of the Court's practice of applying and using reasoning in the style of the Rule of Reason in the same decision in which the Court uses a "*per se* illegality" cliche?

Northern Pacific arose out of the grants which Congress made in 1864 and 1870 to the defendant Railway's precedessor in order to facilitate the construction of a railroad line from Lake Superior to Puget Sound.[48]

These grants comprised approximately 40 million acres of land in several States and Territories, most of which thereafter were sold or leased under "preferential routing" agreements requiring the grantee or lessee to ship over the defendant Railway's lines all commodities produced or manufactured on the land, provided the defendant Railway's rates (and in some instances its service) were equal to those of competing carriers.[49]

The District Court and also the Supreme Court in *Northern Pacific* held that the "preferential routing" agreements were "unreasonable *per se*," but both Courts supplemented their "*per se* illegality" cliches with reasoning in the style of the Rule of Reason, in which they reviewed many Supreme Court decisions regarding "tying arrangements," and also reviewed the terms of the "preferential routing" agreements in *Northern Pacific*, and their number and extent, and their application and effect, so that their overall purpose and effect were amply discussed.[50]

In *Northern Pacific* the Supreme Court said:[51]

> ". . . there are certain agreements or practices which because of their pernicious effect on competition and lack of any redeeming virtue are conclusively presumed to be unreasonable and therefore illegal without elaborate inquiry as to the precise harm they have caused or the business excuse for their use. This principle of *per se* unreasonableness not only makes the type of restraints which are proscribed by the Sherman Act more certain to the benefit of everyone concerned, but also avoids the necessity for an incredibly complicated and prolonged economic investigation into the entire history of the industry involved, as well as related industries, in an effort to determine at large whether a particular restraint has been unreasonable—an inquiry so often wholly fruitless when undertaken."

This is pretty fervent language, and seven times in the District Court's opinion in *Northern Pacific* the District Court uses "*per se* illegality" cliches, viz. "unreasonable *per se*" (three times), "illegal *per se*" (once), "violations *per se*" (once), "illegality *per se*" (once), and "unreasonable restraint *per se*" (once), and six times in the Supreme Court's opinion in *Northern Pacific* the Supreme Court uses "*per se* illegality" cliches, viz. "*per se* unreasonableness" (four times), and "unreasonable *per se*" (twice).[52]

But apart from these cliches and the two sentences above quoted from the Supreme Court's opinion in *Northern Pacific*, practically the entire two opinions in the District Court and the Supreme Court, comprising approximately five double-column pages in the District Court opinion, and approximately ten pages in the Supreme Court opinion, are devoted to reasoning in the style of the Rule of Reason, which the District Court and the Supreme Court applied and used in these two opinions, in the course of deciding that the defendant Railway's "preferential routing" contracts violated the Sherman Act.[53]

Return to Where We Started

Nothing in *Northern Pacific*, therefore, indicates that the Supreme Court is likely to discontinue or slacken its practice of supplementing its use of "*per se* illegality" cliches by applying and using reasoning in the style of the Rule of Reason when it is deciding a "*per se* illegality" case.

Thus we return to where we started, and to what was stated in (1) hereinabove in this paper, and to what the Supreme Court said in 1911 in *Standard Oil* and *American Tobacco*.

The Rule of Reason is really only applying and using sound judgment and common sense reasoning in interpreting and applying the Sherman Act to conform to the currently authoritative interpretation of the Act, so as to ascertain what the Act forbids, and what it permits; and

No matter how many "*per se* illegality" cliches we use, and no matter what we say or think we are doing, the generality of language in the Sherman Act makes it impossible for us to interpret or enforce the Sherman Act unless we apply and use the Rule of Reason, or reasoning that is in the style of the Rule of Reason.

FOOTNOTES

1 *Standard Oil Co.* v. *U. S.*, 221 U. S. 1 (1911) and *U. S.* v. *American Tobacco Co.*, 221 U. S. 106 (1911).

2 *Standard Oil*, 221 U. S. 1, 59-68; *American Tobacco*, 221 U. S. 106, 178-181.

3 *Standard Oil*, 221 U. S. 1, 64-68. Referring to "the *Freight Association* and *Joint Traffic cases*", the Supreme Court said: "It is undoubted that in the opinion in each case general language was made use of, which, when separated from its context, would justify the conclusion that it was decided that reason could not be resorted to for the purpose of determining whether the acts complained of were within the statute. It is, however, also true that the nature and character of the contract or agreement in each case was fully referred to and suggestions as to their unreasonableness pointed out in order to indicate that they were within the prohibitions of the statute. As the cases cannot by any possible conception be treated as authoritative without the certitude that reason was resorted to for the purpose of deciding them, it follows as a matter of course that it must have been held by the light of reason, since the conclusion could not have been otherwise reached, that the assailed contracts or agreements were within the general enumeration of the statute, and that their operation and effect brought about the restraint of trade which the statute prohibited." (64-65) Continuing the Supreme Court referred to "the many cases decided" before *Standard Oil* and said: "every one of these cases applied the rule of reason for the purpose of determining whether the subject before the court was within the statute . . . as we have already pointed out, unaided by the light of reason it is impossible to understand how the statute may in the future be enforced and the public policy which it establishes be made efficacious". (68) Referring to the Rule of Reason as stated in *Standard Oil*, the Supreme Court in *American Tobacco*, 221 U. S. 106, 179 remarked: "We say the doctrine thus stated was in accord with all the previous decisions of this court, despite the fact that the contrary view was sometimes erroneously attributed to some of the expressions used in two prior decisions (the *Trans-Missouri Freight Association* and *Joint Traffic cases*, 166 U. S. 290, and 171 U. S. 505). That such view was a mistaken one was fully pointed out in the *Standard Oil Case* . . ." (179).

4 *U. S.* v. *Freight Association*, 166 U. S. 290 (1897).

5 *U. S.* v. *Joint Traffic Association*, 171 U. S. 505 (1898).

6 *American Tobacco*, 221 U. S. 106, 180 "the standard of the rule of reason which is universal in its application". This phrase occurs in the context of the following sentences: "The soundness of the rule that the statute should receive a reasonable construction, after further mature deliberation, we see no reason to doubt. Indeed, the necessity for not departing in this case from the standard of the rule of reason which is universal in its application is so plainly required in order to give effect to the remedial purposes which the act under consideration contemplates, and to prevent that act from destroying all liberty of contract and all substantial right to trade, and thus causing the act to be at war with itself by annihilating the fundamental right of freedom to trade which, on the very face of the act, it was enacted to preserve, is illustrated by the record before us".

7 *Standard Oil*, 221 U. S. 1, 59-70; *American Tobacco*, 221 U. S. 106, 175-184.

8 *Standard Oil*, 221 U. S. 1, 49-70;

American Tobacco, 221 U. S. 106, 175-181. The words "and the Supreme Court decisions containing the currently authoritative interpretation of the Act" are important. Over the years the Supreme Court's interpretation of the Act changes, and these changes are binding and must be heeded in every application and use of the Rule of Reason.

9 *Standard Oil*, 221 U. S. 1, 70-77; *American Tobacco*, 221 U. S. 106, 155-175, 181-184.

10 For a recent example of adjudging the legality of conduct by its over-all purpose and effect see Judge Sylvester J. Ryan's decision in *U. S.* v. *Imperial Chemical Industries*, 100 F. Supp. 504, 557 (D. C. S. D. N. Y., 1951) in which Judge Ryan indicated that in adjudging whether the Sherman Act forbids or permits the conduct under review the determining factor is not "*per se* illegality" cliches, but is the over-all purpose and effect of the conduct that is being reviewed.

11 *Standard Oil*, 221 U. S. 1, 58, 64, 65; *American Tobacco*, 221 U. S. 106, 179.

12 *Standard Oil*, 221 U. S. 1, 58, 64, 65; *American Tobacco*, 221 U. S. 106, 181.

13 *Standard Oil*, 221 U. S. 1, 58, 75, 76, 77.

14 *Standard Oil*, 221 U. S. 1, 58, 75, 76, 77; *American Tobacco*, 221 U. S. 106, 177, 179, 181, 182-183.

15 *Standard Oil*, 221 U. S. 1, 76.

16 *American Tobacco*, 221 U. S. 106, 178.

17 *Standard Oil*, 221 U. S. 1, 67.

18 *Standard Oil*, 221 U. S. 1, 58, 67, 73.

19 *Standard Oil*, 221 U. S. 1, 65; *American Tobacco*, 221 U. S. 106, 179.

20 *Standard Oil*, 221 U. S. 1, 65, 66; *American Tobacco*, 221 U. S. 106, 179.

21 *Standard Oil*, 221 U. S. 1, 71.

22 *Standard Oil*, 221 U. S. 1, 71, 75; *American Tobacco*, 221 U. S. 106, 182, 183.

23 *Standard Oil*, 221 U. S. 1, 67.

24 *Standard Oil*, 221 U. S. 1, 65, 67.

25 *Standard Oil* and *American Tobacco* abound in strictures against exempting from the prohibitions of the Sherman Act practices, transactions, agreements and acts simply because they seem arguably "reasonable": Thus in *Standard Oil*, 221 U. S. 1, 65, the Supreme Court states "... resort to reason was not permissible in order to allow that to be done which the statute prohibited. This being true, the rulings in the cases relied upon when rightly appreciated were therefore this and nothing more: That as considering the contracts or agreements, their necessary effect and the character of the parties by whom they were made, they were clearly restraints of trade within the purview of the statute, they could not be taken out of that category by indulging in general reasoning as to the expediency or nonexpediency of having made the contracts or the wisdom or want of wisdom of the statute which prohibited their being made. That is to say, the cases but decided that the nature and character of the contracts, creating as they did a conclusive presumption which brought them within the statute, such result was not to be disregarded by the substitution of a judicial appreciation of what the law ought to be for the plain judicial duty of enforcing the law as it was made." See also *Standard Oil*, 221 U. S. 1, 60-62, 68-70; *American Tobacco*, 221 U. S. 106, 179-183.

26 *Trenton Potteries Co.* v. *U. S.*, 300 Fed. 550 (C. C. A. 2C., 1924), reversed in *U. S.* v. *Trenton Potteries*, 273 U. S. 392 (1927).

27 In *Trenton Potteries*, 273 U. S. 392, 396-398 the Supreme Court said: "That only those restraints upon interstate commerce which are unreasonable are prohibited by the Sherman Law was the rule laid down by the opinions of this Court in the *Standard Oil* and *Tobacco* cases. But it does not follow that agreements to fix or maintain prices are reasonable restraints and therefore permitted by the statute, merely because the prices themselves are reasonable. Reasonableness is not a concept of definite and unchanging content. Its meaning necessarily varies in the different fields of the law, because it is used as a convenient summary of the dominant considerations which control in the application of legal doctrines. Our view of what is a reasonable restraint of commerce is controlled by the recognized purpose of the Sherman Law itself. Whether this type of restraint is reasonable or not must be judged in part at least in the light of its effect on competition, for whatever difference of opinion there may be among economists as to the social and economic desirability of an unrestrained competitive system, it cannot be doubted that the Sherman Law and the judicial decisions interpreting it are based upon the assumption that the public interest is best protected from the evils of monopoly and price control by the maintenance of competition. . . .

"The aim and result of every price-fixing agreement, if effective, is the elimination of one form of competition. The power to fix prices, whether reasonably exercised or not, involves power to control the market and to fix arbitrary and unreasonable prices. The reasonable price fixed today may through economic and business changes become the unreasonable price of tomorrow. Once established, it may be maintained unchanged because of the absence of competition secured by the agreement for a price reasonable when fixed. Agreements which create such potential power may well be held to be in themselves unreasonable or unlawful restraints, without the necessity of minute inquiry whether a particular price is reasonable or unreasonable as fixed and without placing on the government in enforcing the Sherman Law the burden of ascertaining from day to day whether it has become unreasonable through the mere variation of economic conditions. Moreover, in the absence of express legislation requiring it, we should hesitate to adopt a construction making the difference between legal and illegal conduct in the field of business relations depend upon so uncertain a test as whether prices are reasonable—a determination which can be satisfactorily made only after a complete survey of our economic organization and a choice between rival philosophies. . . .

"That such was the view of this Court in deciding the *Standard Oil* and *Tobacco cases*, and that such is the effect of its decisions both before and after those cases, does not seem fairly open to question . . . it has since often been decided and always assumed that uniform price-fixing by those controlling in any substantial manner a trade or business in interstate commerce is prohibited by the Sherman Law, despite the reasonableness of the particular prices agreed upon."

28 *U. S.* v. *Socony-Vacuum Oil Co.*, 10 U. S. 150, 212-228 (1940).

29 Justice Brandeis' great talents and energy and his extraordinary zeal and diligence were frequently very potent during the conference stages of Supreme Court decisions. See BICKEL, THE UNPUBLISHED OPINIONS OF MR. JUSTICE BRANDEIS, 1-262 (1957), also BICKEL *Preface* I-IX, and FREUND *Introduction* XV-XXI in BICKEL *supra*. If Justice Brandeis could have participated in the Supreme Court conference on Justice Stone's draft opinion in *Trenton Potteries*, Justice Holmes might not have cast the deciding vote for Justice Stone's draft, for Justice Brandeis' views carried great weight with Justice Holmes. PRINGLE, THE LIFE AND TIMES OF WILLIAM HOWARD TAFT, Vol. II, 969-970 (1939). See also BICKEL *supra* 14, 15, 17, 18, 19, 31-33, 54, 56, 65-67, 74, 76, 78, 79, 83, 154, 155, 157, 162, 164, 165, 169, 201, 203, 204, 210, 212, 220-231, 235-236.

30 *Socony-Vacuum*, 310 U. S. 150.

31 *Socony-Vacuum*, 310 U. S. 150, 166-200.

32 *Socony-Vacuum*, 310 U. S. 150, 166-210.

33 *Socony-Vacuum*, 310 U. S. 150, 218.

34 *Socony-Vacuum*, 310 U. S. 150, 214, 217.

35 *Socony-Vacuum*, 310 U. S. 150, 166-210.

36 *Socony-Vacuum*, 310 U. S. 150, 210-228.

37 *Standard Oil*, 221 U. S. 1, 61-68; *American Tobacco*, 221 U. S. 106, 178-181.

38 *Standard Oil*, 221 U. S. 1, 64-68.

39 See note 10 hereinabove.

40 See note 9 hereinabove.

41 *Lawlor* v. *National Screen Service Corporation*, 238 F. 2d (C. A. 3C., 1956). In 352 U. S. 992 (1957) the Supreme Court *Per Curiam* granted the petition for certiorari and vacated the judgments of the District Court and the Court of Appeals, and remanded the cases to the District Court for trial.

42 *U. S.* v. *New Orleans Insurance Exchange*, 148 F. Supp. 915 (D. C. E. D. La., 1957), affirmed *Per Curiam* in *New Orleans Insurance Exchange* v. *U. S.*, 355 U. S. 22 (1957).

43 *New Orleans Insurance Exchange*, 148 F. Supp. 915, 916.

44 *New Orleans Insurance Exchange*, 148 F. Supp. 915, 916-918.

45 *New Orleans Insurance Exchange*, 148 F. Supp. 915, 918-919.

46 *New Orleans Insurance Exchange*, 355 U. S. 22 (1957).

47 *Northern Pacific R. Co.* v. *U. S.*, 356 U. S. 1 (1958).

48 *Northern Pacific*, 356 U. S. 1, 2-3.

49 *Northern Pacific*, 356 U. S. 1, 2-3.

50 *U. S.* v. *Northern Pacific Railway Company*, 142 F. Supp. 679, 681-685. (D. C. W. D. Washington, N. D., 1956), *Northern Pacific R. Co.* v. *U. S.*, 356 U. S. 1, 2-12 (1958).

51 *Northern Pacific*, 356 U. S. 1, 5.

52 *Northern Pacific*, 142 F. Supp. 679, 682-684, 356 U. S. 1, 5, 8-11.

53 *Northern Pacific*, 142 F. Supp. 679, 681-685, 356 U. S. 1, 2-12.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The credit limiting powers of the monetary authorities are at work again, because they believe that now is the time to start a program to slow down, if not stop, the forces of inflation which appear to be gaining some momentum. The increase in margin requirements, and the more recent increase in the discount rate, are the measures which have been used so far in the battle to maintain the purchasing power of monetary unit. The upping of the Central Bank rate by the Federal Reserve Bank of San Francisco from $1\frac{3}{4}$% to 2% last week signalled the end of the easy money policy of the powers that be.

The uptrend in short-term rates brought with it a higher discount rate, all of which added to the chaos which has been in evidence, particularly in the longer-term Government obligations. The move toward greater credit restraint will mean higher rates in future Treasury financing.

Reserve Board Followed the Market

The Federal Reserve Board, by authorizing an increase in the discount rate of the Federal Reserve Bank of San Francisco, added substance to the recent upward trend in interest rates that a major change in monetary policy was being initiated. Not only has the short-term rate been advancing, but the return on the intermediate- and long-term maturities has also been in the ascendancy. Thus, in this instance, the Federal Reserve Board has followed the hardening in rates in the money market instead of initiating the rise as has been the case many times in the past.

Wide Gyrations in Money Market

The money market has been through a wide gyration of rate movements in a very short period of time, since it was only in November of 1957 when the discount rate was first reduced from $3\frac{1}{2}$ to 3%, and this signalled a change in credit policy from restraint to ease in order to combat the business recession. Late in January the Central Bank rate was again reduced to $2\frac{3}{4}$%; with a $2\frac{1}{4}$% rate approved in March; and the $1\frac{3}{4}$% rate was made effective on April 18. Along with the successive lowerings of the discount rate came several cuts in reserve requirements, and stepped-up purchases of Government securities in order to make funds available to the banking system. This was the method used by the monetary authorities in its efforts to bolster the sagging economy.

However, with the trend of business showing signs of improvement, the Federal Reserve Banks have recently been sellers of Treasury bills, although these sales of Government obligations has not tightened the money market too much since free reserves of the member banks of the system are still in the neighborhood of $500,000,000.

Policy of Monetary Restraint Indicated

The upping of the discount rate gives confirmation to the recently initiated policy of the monetary authorities that the program of ease is over and one of restraint is to be expected in the money markets. The extent of this restraint will depend in no small measure upon the future course of business and the amount of inflation psychology that is generated.

This recent rise in the Central Bank rate was much more for psychological purposes, rather than to stop the discounting of eligible paper at the Federal Reserve Banks since the volume of member banks borrowings from the Central Banks is and has been small. Also the fact, that the member banks of the system have free reserves, means that there will not be a pick-up in their borrowings from the Federal Reserve Banks. To be sure, the Federal Reserve Banks could continue to sell Treasury bills and in this way the excess reserves of the member banks would be wiped out. This could, however, have a retarding effect on the business recovery which is still not too vigorous in spite of the improvement which is in evidence in the various economic barometers.

Equity Market Unaffected

The tightening of the money market by the powers that be, is reportedly a move to check the forces of inflation, and certain of the indicators that are supposed to be a measure of the flight from the monetary unit, such as the stock market. The recent increase in margin requirements from 50% to 70% was aimed directly at the equity market but, so far, it has had practically no effect on its upward trend. On the other hand, the market for Governments and all other fixed income bearing obligations have been very adversely affected the inflation restraining moves of the powers that be.

Sharp Construction Rebound Reported by F. W. Dodge Corp.

Economist Magee reports second quarter dramatic reversal in construction trend is paced by public construction. Anticipates higher construction totals in 1958 than record levels of 1957.

Sharp gains in heavy engineering and residential building in the second quarter almost carried the construction industry to a new record in the first half of 1958, according to the mid-year review of construction contracts published Aug. 20, in **Building Business**, monthly bulletin of F. W. Dodge Corporation.

The cumulative total of contracts for future construction in the first six months of 1958 amounted to $16,788,625,000, only 1% below the record level of the comparable 1957 period.

The review, written by Dodge associate economist, Edwin W. Magee, Jr., notes the following highlights:

(1) The highway program gave the greatest boost to the increase in public works and the heavy engineering category.

(2) Renewed activity in single-family houses, combined with continued demand for apartment buildings, pushed residential building 1% above the year-earlier level.

(3) On an ownership basis, the entire gain in contracts for future construction so far this year has resulted from high levels of public construction.

(4) Trends established by mid-year indicate that the annual totals for 1958 may well exceed the record levels of 1957.

Releasing details of Dodge construction contract figures not ordinarily made public, the review stated that the greatest increase in any single building type occurred in public buildings, with contracts in this class 71% ahead of last year.

Notable increases were also recorded in public works, apartments, hospitals, electric light and power, and recreational buildings.

Ellison Secs. Opens

Ellison Securities Company, Inc. has been formed with offices at 37 Wall Street, New York City, to engage in a securities business.

Federal Inv. & Trading

Morris Giloni has formed Federal Investing & Trading Company, Inc. with offices at 156 West 44th Street, New York City, to engage in a securities business.

Mark Greif Opens

Mark L. Greif is conducting a securities business from offices at the Hotel Governor Clinton, 31st Street and Seventh Avenue, New York City.

Form Leo Hershman Co.

Leo Hershman & Co., Inc. has been formed with offices at 42 Broadway, New York City, to engage in a securities business.

R. E. Secs. Trading

Sheldon L. Breitbart is conducting an investment business from offices at 233 Broadway, New York City, under the firm name of Real Estate Securities Trading Co.

Forms Retirement Program

Mrs. Margie Sperling is engaging in a securities business from offices at 509 Fifth Avenue, New York City, under the firm name of Retirement Programming Associates.

George Coury Opens

MIAMI, Fla.—George Coury is engaging in a securities business from offices at 96 Northeast Second Avenue.

Marache Co. Branch

PASADENA, Calif. — Marache, Dofflemyre & Co. has opened a branch office at 940 East Colorado Street under the management of Arthur E. Smith.

Opens Branch

MINEOLA, N. Y. — Prudential Securities Corporation has opened a branch office at 80 East Old Country Road under the direction of John C. Gross.

Continued from first page

Sources of Instability In Our Economy

United States, and of the entire Free world, would be gravely imperiled. The commissars stand ready to inherit the earth.

This Concerns All of Us

But even if Billy Graham should manage to convert all communists, this problem of economic instability would remain a matter of vital importance to all Americans, both as individuals and as a nation. Every one of us is deeply concerned with what we can buy with our incomes. We are equally concerned with the purchasing power of our savings accounts, our savings bonds, our life insurance, our pensions. And as a nation, the stability of our economy is one of the chief determinants not only of our defense potential and of our standard of living, but of our entire social environment.

For teachers and educators, this problem has peculiar significance. Economic education is essential to economic stability. Today, more than ever before, it is the voter—and Average Joe and Josephine—who is the ultimate decision-maker in the realm of public economic policy. Sound measures to strengthen our economy and to combat instability cannot be adopted and adhered to without the understanding and the sustained support of the citizenry. Here, clearly, is a major responsibility for teachers and educators everywhere to contribute to the stabilty of the American economy by improving the economic literacy of the American people.

Two Interrelated Problems

Let us analyze this problem. What kind of stability do we want? What obstacles confront us? How can they be dealt with effectively?

There is widespread agreement both among economists and among people generally that we should seek to maintain high levels of production and employment and also reasonably stable prices. There is room for debate, of course, as to just how high a level of business activity is sustainable and just what constitutes satisfactory ability of prices. Nevertheless, the main points are clear:

First, we want to avoid big swings in production and employment. This needs no spelling out. A severe depression would obviously be a calamity for all of us. Prolonged mass unemployment would be an evil that would threaten our whole social structure.

Second, we want to avoid inflation. Inflation is a sneak-thief that steals part of the value of our savings and we do not want to be robbed. Inflation benefits chiefly the speculators and some others who happen to be advantageously situated. The few who profit do so at the expense of the rest of us. Inflation is an unfair tax upon the thrifty and those living on fixed incomes. It reduces the living standards of millions of families. And at this critical juncture of history, serious inflation in the United States would impair our ability to lead the Free World's resistance to Communist tyranny.

We are therefore confronted with a two-fold problem: one of preventing depressions, the other of preventing inflation. These two problems are closely interrelated, to be sure, because depressions are almost always the inevitable aftermaths of inflationary booms. Indeed, most of us have long been accustomed to thinking of the problem of economic instability as consisting of trying to level off both the peaks and the valleys of the business cycle.

This age-old problem of the business cycle is still with us today, obviously, but in recent years something new has been added; namely, the problem of preventing a continuing erosion of the value of the dollar over the years. Even if the business cycle were to disappear, we would still be faced with this threat of inflation. In addition to cycle control, therefore, we must now be concerned with erosion control as well.

Sources of Instability

Why do these problems exist? What are the reasons for these tendencies toward instability in our economy?

Let me warn you, please, not to ask an economist that question—unless, that is, you are prepared to sit back and listen for a long, long time. There is, of course, a vast literature on the subject of business cycles. Indeed, there are few subjects on which so many have written so much for so few. Some of these writings are admittedly controversial. As in any field, there are plenty of points on which the experts disagree, and there are gaps, too, in our understanding of business cycles.

On the other hand, there is much that we do know. Our knowledge of the dynamics of the cycle has been greatly enlarged in recent decades and there is now a substantial area of agreement with respect to the basic causes of cyclical swings and the factors that aggravate them.

There would obviously be little point in my trying to summarize this body of knowledge for you here. But I do wish to emphasize that this is not an area of total mystery, conjecture, and disputation. Solid information about it is available in any good economics textbook — though not in some textbooks on social studies. This is subject matter that should be really taught, not simply talked about. And it is a subject on which every citizen should be informed.

There is, however, an important aspect of this problem of economic instability which you will not find discussed very thoroughly in most textbooks, namely, the problem of continuing inflation. The reason is that this threat has emerged, or at least has become apparent, only quite recently. Until recent times, periods of price inflation in the United States were invariably followed by periods of deflation. Throughout our history, major wars always caused inflation but prices always subsequently returned to approximately pre-war levels. Peacetime booms were usually accompanied by rising prices but prices usually receded during the ensuing recessions.

But today things are different. For the first time in our history, the inflation generated by World War II has not been deflated but has become permanently inbedded in our economy. And so has the inflation of the Korean War, and, for that matter, most of the price inflation of 1954-57.

What has happened is that new inflationary biases have been developing in our economy. These biases contribute to pushing prices up during good times and to preventing prices from ever readjusting downward. Price increases have tended to become irreversible.

This has fundamentally altered the whole problem of trying to maintain economic stability. We cannot any longer afford to think in terms of anti-cyclical policy alone; we must now think in terms of anti-cyclical plus anti-inflation policy.

The Wage-Price Spiral at Work

Let us examine briefly some of these inflationary biases.

First, there is the crucial matter of industrial wage and price policies. I use this inclusive phrase because while some people are willing to talk about inflationary wage increases and others readily talk about inflationary pricing policies of business, it is essential to recognize that these phenomena are inextricably interrelated. Interacting together, they have produced the ominous wage-price spiral which constitutes the most virulent inflationary bias in our present-day economy.

The basic facts of this situation are simple enough. When wage rates, including fringe benefits, rise more rapidly than productivity, the result is bound to be higher production costs. And when business concerns follow pricing policies designed to pass along to the public most or all of their added production costs, then the result is a formidable wage-price spiral. These facts are regarded as axiomatic by everyone who has studied economics and are equally self-evident to anyone else who stops to think about them.

Since the end of World War II, wages in the United States have been constantly outrunning productivity and this has inevitably been reflected in higher living costs. Indeed, we have practically enshrined the wage-price spiral as a national institution.

Just this past week, we have witnessed another boost in the price of steel. Here is the spectacle of the wage-price spiral operating even during recession. A rise in the price of steel has become an established annual event on the American calendar.

It is clear enough that these price increases are related to wage increases. Over the past 10 years, labor costs per man hour in the steel industry have risen more than three times faster than output per man hour. The net result of the policies followed by labor and management in this industry has been an increase of about 75% in the price of steel.

One is almost tempted to regard this as a conspiracy of Big Business and Big Labor at the expense of the public. This, of course, would be too cynical a view that the facts do not justify. Nevertheless, the wage-price spiral is obviously real and it plainly constitutes a serious threat to the public interest. This threat will probably continue until more people learn more about the basic facts of this situation. Are they learning these facts in the schools today?

The More-Money Fallacy

Another inflationary factor in our economy today is the widespread bias in favor of cheap and over-abundant credit. Actually, of course, this is not a new phenomenon at all. Indeed, one of the oldest and certainly one of the most injurious fallacies in the history of man is the delusion that prosperity for all can somehow be conjured up and perpetuated simply by creating more money.

Today this fallacy lives on, often in seductive guises. All manner of schemes for spending more money and for creating or guaranteeing more credit, have popular appeal under a great variety of banners. Our economy has now become so complex that people do not readily see the relationship between these schemes and the threat of inflation.

One dangerous manifestation of the more-money fallacy is the widespread opposition to restricting the expansion of credit during a boom. You have all heard in recent years a great deal of criticism of so-called "tight money." The critics fail to mention that the only alternative to a policy of restricting credit expansion would be a policy of not restricting it, and that during a boom, such a policy would be highly inflationary. Yet this is clearly the case.

Similarly, you have heard criticism of so-called "high" interest rates. Many people seem to think that interest rates should always be held at low levels, even during an inflationary boom. The fact is that monetary policy cannot effectively combat inflation without restricting credit and this cannot be done unless interest dates—the prices of various kinds of credit—are at times permitted to rise.

There is always room for debate, of course, as to whether a policy of credit restriction is being overdone or underdone at any particular time, and as to whether different techniques should be employed. However, every competent economist would agree that during a boom, it is imperative to prevent unbridled credit expansion.

Here is a lesson that needs learning. Is it being learned in the schools today?

Brimful Employment

A third inflationary factor in our present-day economy is the Doctrine of Full Employment. In extreme form, the adherents of this dogma proclaim that the chief goal of economic policy should be to maintain **maximum** employment **at all times,** regardless of what this may involve in the way of inflation and other heavy exactions on the American people.

This inflationary bias is even reflected in our official statement of public economic policy, the preamble of the Employment Act of 1946, which talks about maximum employment and production but makes no mention of the need for maintaining price stability. Indeed, the biased emphasis of this statement is so well known that the act itself is frequently, though erroneously, referred to as the "Full" Employment Act.

Fortunately, most public policy-makers have interpreted this policy statement as including concern for price stability. Their position is that this is implicit in the goal of maximum production and employment. They believe—as do most economists—that over the long run, maximum levels of production and employment can be achieved on a sustainable basis only if we avoid inflation. However, you will find no mention of this premise in the Employment Act itself.

Even if the Act were to be amended—as I believe it should be—to correct the inflationary bias in its wording, the Doctrine of Full Employment would continue to be an inflationary force in our economy. As a slogan, the words "full employment" have powerful appeal. The danger is that they may be used to mobilize public support for policies that are actually contrary to the broad public interest.

Whenever a choice must be made between government policies which favor a higher level of employment at the expense of some rise in prices, or policies which might produce a somewhat lower level of employment but stable prices, the political pressure usually favors the first alternative. Over time the cumulative effect of policies of this kind can be serious.

Economists are in agreement that in a market economy such as ours, a policy of permitting no unemployment whatever at any time would be highly inflationary. Brimful employment and economic stability are not compatible. Yet many people in this country do not appreciate this fact. What are they learning about it today in the schools?

The Danger of Complacency

In combination, these inflationary biases plus others add up to a formidable threat to the stability of our economy and one which will be very difficult to deal with. Most of the things that should be done to combat them are unpopular. This is simply a shorthand way of saying that the public is not well enough informed to understand why these corrective measures are needed and why they are important.

One trouble is that many people are not really very much concerned about the danger of inflation. Some even think that gradual inflation might be a good thing, that it might keep the economy pepped up. Some assume that they may be able themselves to keep up with an inflationary spiral and come out all right personally.

And during a boom, the effects of inflation seem quite pleasant to many people. Large wage increases and rising profits create an illusion of improved well-being. Those who urge restraint at such a time are obviously spoil sports, men of little faith.

Too many people fail to realize that an inflationary boom permits maladjustments to accumulate in the economy and that sooner or later there must be a day of reckoning. They do not appreciate that repeated doses of inflation over a period of years would add up to a substantial cut in the value of their savings. They ignore the fact that creeping inflation can degenerate into galloping inflation.

I wonder how well these points are understood by high school seniors today.

Structural Stability

So much for the causes of economic instability. What about the cures? What can and should be done to prevent destructive swings in production and employment and to safeguard the value of our money?

The stability achieved by any economy depends upon two things: its intrinsic, structural stability, and the effectiveness of measures adopted from time to time to combat inflation and recessions. One is a matter of the institutional framework; the other a matter of short-run anti-cyclical or anti-inflation policies.

Much could be said about developments that have affected the inherent stability of the American economy in recent times. On the plus side, you could cite the strengthening of the banking system, the development of the so-called built-in stabilizers in the Federal budget, and various other factors. But there are entries on the other side of the ledger too, notably the inflationary biases we have already mentioned.

On balance, our economy is probably much less vulnerable to violent cyclical disruptions than it was, say 30 years ago. There is little possibility, for example of a catastrophic depression like that of the '30's. On the other hand, we are still susceptible to cyclical swings of serious magnitude and, in addition, we are probably much more vulnerable now than formerly to the menace of inflation.

Can our economy be made structurally more stable? Probably it can be, and varous proposals have been put forward with this end in view. It would certainly be desirable if the American people were better acquainted with some of these proposals. However there is no generally agreed upon agenda of institutional changes that should be made in order to make our economy more depression-proof.

There is, nevertheless, one vital point in this connection on which agreement does exist among the great majority of economists and students of political economy. This point has to do with an in-

stitutional change that should **not** be made, though it is frequently suggested; namely, the proposal that the Federal Reserve System be made completely subservient to the political administration in Washington.

Some years ago I heard of a professor of money and banking who started his course each year by tracing the progress of mankind from its lowly origins in the primeval slime until civilization finally attained its zenith with the establishment of the Federal Reserve System in 1914. Now I do not urge the dissemination of this particular monetary interpretation of history. But I do strongly believe that everyone who graduates from high school today should have some knowledge of the purposes and functions of the Federal Reserve System and some understanding of why most economists think it is important to continue to protect that system from complete political domination. How much do the graduates of your high school know about this subject?

How Useful Is Monetary Policy?

When we turn to the matter of measures that should be taken from time to time to combat inflationary or recessionary tendencies, we find a broad and very important area of agreement among the great majority of economists. Here again is solid information that every citizen should know.

To begin with, there is general agreement that financial measures—notably monetary and fiscal policies—should be regarded as our most important means of dealing with economic instability. In some circumstances, in fact, financial measures may be all that is required to keep the economy on an even keel. In other circumstances, they may not suffice to do the job alone but they always constitute an essential element in stabilization policy. To look at it the other way around: unwise financial policies can do untold harm to our economy.

Let us look briefly at what monetary and fiscal policies consist of and the roles they should perform.

First, monetary policy. I fear that most people regard monetary policy as being something very remote and mysterious like sunspots or yoga. Actually, of course, it consists of definite actions taken by the Federal Reserve authorities. These actions affect the supply and cost of credit and hence the amount of spending that is done with borrowed money. They thereby influence production, employment and prices.

Changes in spending with borrowed money have always played a strategic role in the business cycle. By influencing this key factor, the Federal Reserve can exert a stabilizing influence on the whole economy.

This has been clearly apparent in recent years. The Federal Reserve authorities are not infallible, of course, but in general, they have exhibited great skill and courage in administering monetary policy. There is general agreement among informed observers that, on balance, Federal Reserve policy has definitely made a useful contribution to the stability of the economy over recent years.

On the other hand, the record also shows that monetary policy should not be regarded as a cure-all for economic instability. We cannot follow destabilizing policies in other areas with the expectation that the Federal Reserve can somehow offset them by means of monetary magic. Monetary policy is potent but not omnipotent. It would be dangerous to depend upon it to do more than it actually can accomplish.

If monetary policy is to be effective, it must have public understanding and support. Many people today have little or no comprehension of the need for ever exercising any restraint whatever with respect to the use of credit. They do not understand how credit restraint works and are inclined to be suspicious and critical of it in actual operation. As a result, demagogues and special interest groups have little trouble in stirring up opposition to it. In recent years there has been an alarming tendency in some quarters to attack credit restraint in a highly irresponsible manner. If continued, this could have serious consequences for the stability of our economy.

How Useful Is Fiscal Policy?

Fiscal policy is less mysterious. It seems rather obvious that the financial operations of the Federal Government are now so enormous that they are bound to have far-reaching effects on economic conditions. The sensible thing to do, therefore, is to try to get wanted rather than unwanted effects.

Here again we find considerable agreement among economists with respect to the general role that fiscal policy should perform. There is virtual unanimity on the broad proposition that the government's policies with respect to expenditures and taxation **ought** to be designed to mitigate the ups and downs in business activity.

Unfortunately, however, there is far less unanimity that fiscal policy actually **can** be used effectively for this purpose. And the reason is that the American people cannot be depended upon to support unpleasant fiscal policies —increases in taxes or cuts in expenditures — when they are needed.

Take, for example, the matter of cutting taxes during a recession. In theory, this may at times be justified to stimulate the economy. This proposal will nevertheless be opposed by many intelligent and public-minded people—as was the case earlier this year—on the ground that a tax cut might lead to inflation at some later date. This fear arises largely from the fact that the American people cannot be counted on to reverse the tax cut when the time comes that taxes should be raised. If you examine the record, you con hardly say that this fear is groundless.

According to a carefully conducted survey, one-half of all the people in the United States do not even know what is meant by the term "balancing the Federal budget." This being the case, how can we expect fiscal policy to make its full potential contribution to economic stability?

Advantages of Financial Measures

In addition to knowing something about the principles of monetary and fiscal policy, Americans should have some understanding of the enormous advantages that these financial measures possess over most other types of controls. One of the great virtues of monetary and fiscal policies is that they do not push people around. They are conditioning factors, rather than coercive. They do not subject us to bureaucratic red tape and harassment. They infringe hardy at all upon our freedom of choice, our freedom of action.

By the same token, financial measures do not interfere with the proper functioning of our free economy. They do not suspend the interplay of supply and demand in competitive markets. They permit the self-adjusting tendencies of the market to operate as they should.

Indeed, these measures can protect us from being subjected to far more objectionable types of control. The more effectively they are used, the less pressure there will be for a multiplicity of governmental controls regulating our lives.

Specifically, we could some day encounter a situation in which, if we should fail to adopt appropriate financial policies, we may find ourselves saddled with wage controls, price controls, and rationing. These should not be thought of as being **alternatives** to monetary and fiscal policy because they simply cannot accomplish what financial policies can accomplish. They are not just obnoxious; they are inherently unworkable in our kind of economy. They deal with symptoms, not with causes. They also disrupt our freemarket processes and prevent the adjustments that are needed in a dynamic economy.

In brief, monetary and fiscal policies are potentially potent medicine for combating economic instability, and they can also help to preserve our free market economy. To be effective, however, they require public understanding. How much understanding of this subject do students acquire in our secondary schools today?

A Continuing Crusade

In closing I should like to emphasize that this problem of achieving reasonable stability for the American economy is by no means insoluble. Our economy has demonstrated a remarkable sturdiness and resiliency and we have at hand good weapons with which to combat instability. I think that a man from Mars, judging the performance of the American economy in recent years in broad prospective, might conclude that, all things considered, we really have not been doing too badly at all.

Looking to the future, I see no excuse, certainly, for a defeatist attitude, but plenty of cause for serious concern. Too much is at stake to permit complacency. There is no question as to whether the American people can avoid inflation and achieve reasonable stable economic growth. The only question is whether they will be well enough informed to support the measures that will be required to achieve these objectives.

What is needed is nothing less than a continuing, all-out crusade against economic illiteracy. I suggest that we dedicate ourselves to that crusade here and now.

Haratine Gas & Oil Stock at $1.50 a Share

Herbert Perry & Co., Inc., of New York City, is now offering an issue of 199,900 shares of common stock (par five cents) of The Haratine Gas & Oil Co., Inc., at $1.50 per share on a best efforts basis.

The Haratine company intends to engage in the business of prospecting for, drilling, producing, processing, dealing in, storing and selling petroleum, oil, natural gas and the by-products or derivatives thereof for its own account solely or as a participant with or for the account of others. Included in such business is the acquisition and disposition of oil and gas leases and interests therein and of other interests in and to oil and gas properties whether productive or otherwise. The company holds oil and gas leases in eastern Ohio on 36 parcels of land covering approximately 2,020 acres in Ashtabula County, 1,853 acres in Portage County and 216 acres in Perry County.

The company intends to use the net proceeds of this offering to commence an oil and gas drilling program on certain of its property located in Jefferson Township, Ashtabula County, Ohio, and in Madison Township, Perry County, Ohio.

Giving effect to the above-mentioned financing, there will be outstanding a total of 424,900 shares of common stock, out of a total authorized issue of 1,750,000 shares.

Public Utility Securities

By OWEN ELY

Minnesota Power & Light Company

Minnesota Power & Light, with a business dating back over 50 years, was controlled by American Power & Light Co. until 1950, when the stock came into the hands of the public. The company serves electricity to 294 communities in Minnesota and (through a subsidiary) 27 communities in Wisconsin. The population served is estimated at 363,000. Principal cities include Duluth, Minn., and nearby Superior, Wis.

The company has annual revenues of about $30 million, including the subsidiary. The business is virtually all electric (there are some small sales of steam). Industrial business is on the high side, contributing nearly half of revenues, due to the importance of iron ore mining in the area. Revenues from the latter industry constitute 32% of total revenues and 69% of industrial revenues. The next largest industry is the paper and pulp business which contribute about 11% of industrial revenues, the balance being spread over a number of industries.

The City of Duluth, with a population of over 105,000, has a substantial trade in iron-ore, grain and dairy products. Other industries in the city are cement, wood products, foundries, machine shops, blast furnaces, meat packing, food processing and canning, oil refining, telephone equipment, etc. Dairying and resort business are important in the area.

While the Mesabi iron ore reserves are being gradually depleted, the huge reserves of low-grade taconite ore are now being rapidly developed. Steel companies have expended nearly half a billion dollars on plants to mine the taconite ore and reduce it to pellet form for shipment on the Great Lakes. While these large plants have their own power supply, Minnesota P. & L. has interconnections for exchange of power, and it is also selling a substantial amount of power to the new communities created by these giant projects. Eventually it is thought that U. S. Steel may also build a large plant although there has been no definite decision on this.

The City of Duluth has benefited by the expansion of the Air Force Base, and the building of a large branch of the University of Minnesota. Expansion is continuing in the two oil refineries which, together with pipelines, have added sizable new power demands. Completion of the St. Lawrence Seaway is expected to be a favorable factor in the future development of Duluth and Superior. It is estimated that the combined Duluth-Superior port facilities dominate a tributary area of 540,000 square miles. Duluth is undertaking a $40 million commercial development, including a $10 million terminal.

The recreation industry in northern Minnesota is estimated to bring $50 million a year into the area. Thousands of new tourists were expected this year for the 1958 Centennial Year celebration, with the opening of the Mackinac Bridge (connecting the upper and lower peninsulas of Michigan) a contributing factor.

The company has reported a general uptrend in earnings in the past decade, share earnings having increased from $1.56 in 1948 to $2.47 for the 12 months ended June 30, 1958. The latest report was surprisingly good ($2.47 vs. $2.26 in the previous period) considering the fact that the iron and steel industry suffered a very severe setback. A possible offsetting factor was the rate increase which went into effect on a staggered basis last year. In February 1957 the company initiated residential and rural rate increases; rates on small commercial and industrial sales were increased in October, and large light and power customers were changed over to the new rate schedule as their contracts expired.

Another favorable factor was the substantial growth in the area in other directions. Wood products concerns like Northwest Paper Company, Blandin Paper Company, and Superwood Corp. are all engaged in large expansion programs. Farm prosperity was also a factor, and farm electrification is a major field of sales promotion in 1958.

The company's annual report, issued near the end of March, stated, "Despite the possibility of a lag in iron ore mining activity during the early part of the 1958 mining season, industrial sales quotas for the coming year are based on adding some 23,000 kw. of new load. Electrification of manufacturing processes, better lighting, and industrial electric heating will be among the specific programs directed toward adding this new load."

Capital set-up at the end of 1957 on a consolidated basis, was: long-term debt 56%, preferred stock 11% and common stock 33%; however, excluding the subsidiary, the equity ratio was 35%. Except for a 2-for-1 split-up in 1953 there has been no increase in the number of common shares since 1950.

At the recent price of 32½ the stock yields 4.9% based on the $1.60 dividend rate. It sells at about 13.2 times recent earnings, which compares with an industry average around 15.5.

Two With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William F. Crowley and Richard Harte, Jr., are now connected with Kidder, Peabody & Co., 75 Federal Street.

With H. L. Robbins & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Irwin H. Silver is now affiliated with H. L. Robbins & Co., Inc., 37 Mechanic Street.

Joins S. Romanoff & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Salvatore Gentilotti has joined the staff of S. Romanoff & Co., 45 Chamberlain Parkway.

Women Bankers Hold 36th Convention in Atlanta, Ga., Oct. 6-9

Leading bank women from all parts of the country will address the National Association of Bank Women at its 36th Annual Convention in Atlanta on Oct. 6-9. This announcement has been made by Miss Iweta Miller, President of the Association and Assistant Vice-President of the First City National Bank of Houston, Texas. Some 500 members are expected to attend the four-day meeting to be held at the Atlanta Biltmore Hotel.

Miss Miller will preside at the opening session and the entire first day is being devoted to business of the Association.

Miss Madeline McWhinney, Chief of the Financial and Trade Statistics Division of the Research Department of the Federal Reserve Bank of New York; Virgil H. Disney, Manager of the Electrical Engineering Division of Armour Research Foundation of Illinois Institute of Technology; Miss Pauline Frederick, United Nations correspondent of the National Broadcasting Corporation, and Gerard E. Hayes, Assistant Vice-President of the National Shawmut Bank of Boston, Massachusetts and President of the American Institute of Banking, will be the principal speakers. Outstanding women bankers will moderate and be members of the panels on operations, trust, bank selling and loans. Mrs. Marion Anderton, Assistant Cashier of the Bank of America, San Francisco, Calif., and Mrs. Ruth Sherrill, Vice-President of the First National Bank of Memphis, Tennessee, will also address the Convention.

Mr. Hayes, President of the American Institute of Banking, will present the Jean Arnot Reid Award to the outstanding woman graduate receiving her Standard Certificate.

Miss Charlotte A. Engel, Trust Officer of the National Savings and Trust Company of Washington, D. C., and Vice-President of N. A. B. W., will advance to President of the Association and will address the Convention on Oct. 9.

Continued from page 9

Participation in Canada's Growth Through Canadian Securities

U. S. direct investment. Table IV presents the total foreign investment divided into various categories and the percentage of each category owned in the U. S. A.

In connection with the foreign investments in Canada the following are two interesting aspects:—

(a) The long and short term foreign investments in Canada have increased from $7.6 billion in 1945 to $16.7 billion at the end of 1956. Of the $16.7 billion $15.4 billion represented long term investments.

(b) The long and short term Canadian investment abroad of $7.2 billion at the end of 1956 was greater than the total United States investments in Canada at the end of 1950.

Increase in U. S. Direct Investment

During the eleven years ended Dec. 31, 1956 the total U. S. long term investment in Canada increased from $4,990 million to $11,651 million or 133%. Of the total increase of $6,661 million, $5,121 million or 77% represented the gain in the direct investment and $1,540 million or 23% the gain in portfolio bonds and stocks and all other forms of investment.

The gain of $5,121 million in direct investments was the result of a net inflow of capital of $2,782 million, and the balance from reinvested earnings of the subsidiaries or branches in their Canadian properties. The increase in direct investments in 1957 was substantial. The increase in the value of portfolio securities of $1,540 million represents a net capital inflow of $741 million from the sale of bonds and stocks. The balance of $799 million may be accounted for in part by the acquisition of additional outstanding Canadian securities and in part by increased market valuations.

The largest inflow of capital for direct investment was $1,312 million for the petroleum industry followed by $474 million for mining.

Comments on the U. S. Direct Investments

A direct investment in Canada may be defined as a Canadian company whose stock is more than 50% owned abroad or as an unincorporated branch of a foreign concern. The total number of such Canadian companies and branches at the end of 1955 was 4,957 of which 3,707 were controlled from the U. S. A., 947 from the United Kingdom and 303 from other foreign countries. At the present time less than 24% of the concerns having direct investments in Canada have taken in Canadians as part owners. Those which have, such as Ford, Standard Oil, Goodyear, Dupont, Westinghouse, Celanese, Sherwin-Williams and Imperial Chemical Industries, to mention but a few have found that it is sound public relations to have Canadian shareholders.

Although foreign long term capital invested in Canada increased $8.3 billion in the eleven years ended Dec. 31, 1956, less than half represented an inflow of capital. As previously stated, the net capital inflow was only 6.7% of the total new capital investment during the period. In any country which is able to generate from its own resources and endeavors more than 93% of its capital requirements, it is but a matter of time before Canadian investors will seek and obtain a portion of the ownership and profits of the foreign corporations with wholly owned concerns in Canada. Canadians are not interested in investing in the stock of U. S. corporations which have subsidiaries in Canada for the folowing reasons:—

(a) Dividends paid on stocks of U. S. corporations do not receive the 20% tax credit, while the stocks of the Canadian subsidiary do have this advantage. More than 40% of all Canadian dividends today is being paid to U. S. corporations.

(b) Canadians have a justifiable interest and pride in the corporations which are developing their natural resources and manufacturing industries. It is Canadian labor and in many instances Canadian management which are to a large degree responsible for the success of the U. S. and foreign controlled concerns in Canada. It is but human nature to desire that a portion of this ownership should be Canadian.

C. Canadian Portfolio Stocks

Portfolio stocks accounted for 16% of the total foreign investment in Canada at the end of 1955 and only 12% of the U. S. A. investment at the same date. The total Canadian stocks held in U. S. portfolios on Dec. 31, 1955 amounted to approximately $1.2 billion. This had increased from $.6 billion at the end of 1945, or 100%. The rate of increase today, however, is far greater than in the early postwar years, because of the growing interest by American investors and speculators in Canada's expanding economy. Canadian equities may be divided into three broad classes:—

(1) **Well Established Companies:**—This category includes companies engaged in the railway, public utility, mining, petroleum, lumbering, manufacturing, banking and other industries. Most of these companies have been established for many years, and have long records of profitable and expanding operations. These are the stocks which are held for the most part by institutional and large individual investors, who are interested in the growth of Canada.

(2) **Foreign Owned Investment Companies:**—In the past several years the formation of these companies has offered the U. S. investor a sound medium for participating in Canada's growth as well as a definite tax advantage. These companies since their formation have been important purchasers of sound Canadian stocks and have shown substantial capital appreciation.

(3) **Speculative New Venture Companies:**—It is these companies which are formed to prospect for gold, base metals, oil and gas, and more recently uranium, that are the principal vehicles of speculators. They are the so-called "penny stocks" or "cats and dogs." While these stocks have received a great deal of unfavorable publicity in recent years, they have a definite place in the development of Canada's natural resources.

(a) Practically all of Canada's major mines started off with venture capital provided through the sale of "penny stocks."

(b) They should be purchased as an out-and-out gamble by individuals who are willing to lose their entire investment in a situation which is no better than a 100-to-1 shot.

(c) Measures are being taken and should be taken to protect the uninformed investors from certain unscrupulous salesmen who misrepresent the true nature of "penny stocks."

(4) **Evidences of Increasing Interest in Canada:**—The following are a few comments on the increasing activity in Canadian stocks:

Volume on the Toronto Stock Exchange usually is considerably greater than on other major stock exchanges.

The Toronto Stock Exchange industrial average is down only 6.2% from the high level of a year ago. See Schedule B.

Many Canadian stock brokers have opened branches in New York and other U. S. cities in the past several years.

More U. S. brokerage firms are opening branches in Canada each year or establishing connections with Canadian brokers.

There are at least 90 Canadian stocks listed on the American Stock Exchange and the number is steadily increasing.

D. Foreign Owned Investment Companies

A foreign owned investment company is a Canadian corporation whose stock is held to the extent of at least 95% by nonresidents of Canada. The principal advantages to the U. S. investors are the selection of Canadian in-

TABLE IV

Foreign Investment in Canada, Dec. 31, 1955

(Millions)

	Total	—Held in U. S. A.— Amount	Per Cent
Direct Investments:			
Bonds and debentures	$751	$705	94%
Capital stock, etc.	6,964	5,812	83
Sub-total	$7,715	$6,517	85%
Portfolio Investments:			
Government and municipal bonds	$1,878	$1,649	84
Other bonds and debentures	1,009	530	53
Capital stock, etc.	2,225	1,226	55
Sub-total	$5,112	$3,405	67%
Real Estate, Mortgages, Etc.	$641	$367	56
Grand Total	$13,468	$10,289	76%

SCHEDULE A

Selected List of Canadian Stocks

Automotive

Ford Motor Co. of Canada Ltd.; The Goodyear T. & R. Co., Canada.

Banks

Bank of Montreal; The Bank of Nova Scotia; The Canadian Bank of Commerce; Imperial Bank of Canada; Royal Bank of Canada; The Toronto-Dominion Bank.

Beverages

Distillers Corp.-Seagrams, Ltd.; Hiram Walker-G. & W., Ltd.

Building & Construction

Asbestos Corp., Ltd.; Building Products, Limited; Canada Cement, Ltd.; Dominion Tar & Chemical, Ltd.; MacMillan & Bloedel, Ltd. "B"; Sherwin-Williams Co. of Canada, Ltd.

Chemicals

Canadian Industries; duPont of Canada Sec., Ltd.

Electrical Equipment

Canada Wire & Cable; Canadian Westinghouse Co., Ltd.

Finance

Industrial Acceptance Corp., Ltd.; Traders Finance Corp., Ltd. "A".

Merchandising

Hudson's Bay Co., Ltd.; Simpson's, Ltd.

Metals and Mining

Aluminum, Ltd.; Consolidated M. & S. of Canada; Falconbridge Nickel Mines, Ltd.; Hollinger Cons. Gold Mines, Ltd.; International Nickel; Mining Corp. of Canada, Ltd.; Noranda Mines, Ltd.; Quemont Mining Corp., Ltd.; Sherritt Gordon Mines, Ltd., Steep Rock Iron Mines, Ltd.

Milling and Grain

Maple Leaf Milling: Toronto Elevators, Ltd.

Oil and Gas

Bailey Selburn Oil & Gas, Ltd.; British-American Oil Co.; The Calgary & Edmonton Corp.; Canadian Oil Companies; Central Del Rio Oils, Ltd.; Imperial Oil, Ltd.; McColl-Frontenac Oil; Royalite Oil Co., Ltd.; Triad Oil Co., Ltd.

Paper and Pulp

Abitibi Power & Paper Co., Ltd.; Consolidated Paper Corp., Ltd.; The Great Lakes Paper Co., Ltd.; Powell River Co., Ltd.; St. Lawrence Pulp.

Public Utilities

The Bell Tel. Co. of Canada; British Columbia Power Corp.; Consumers Gas Co., Ltd.; Gatineau Power Co.; Interprovincial Pipe Line Co.; Shawinigan Water & Power; Trans Mountain Pipe Line Co.; Union Gas Co. of Canada.

Steel

Dominion Bridge Co., Ltd.; Dominion Foundries & Steel; The Steel Co. of Canada, Ltd.

Uranium

Algom Uranium Mines, Ltd.; Consolidated Denison Mines, Ltd.; Gunnar Mines, Ltd.; Northspan Uranium Mines, Ltd.; Pronto Uranium Mines, Ltd.; Stanroch Uranium Mines, Ltd.

SCHEDULE B

Average Price: Earnings Ratio and Average Yield of Components Of Toronto Stock Exchange Index of 20 Industrials

	T. S. E. Index of 20 Industrials	Avg. Price: Earnings Ratio	Average Yield
1949—June	162.08	8.61	6.02%
December	207.36	9.36	5.56
1950—June	230.37	8.34	5.44
December	290.65	11.08	5.30
1951—June	315.51	12.27	5.07
December	341.68	12.79	4.69
1952—June	319.75	10.91	5.05
December	322.44	10.75	4.97
1953—June	303.10	9.98	5.38
December	312.36	9.80	5.52
1954—June	342.73	11.00	4.93
December	383.92	13.23	4.22
1955—June	410.92	16.25	3.44
December	438.21	13.57	3.63
1956—June	465.83	14.43	4.07
December	463.94	13.69	4.40
1957—June	479.67	14.26	4.35
December	397.52	11.35	5.27
1958—June	449.60	13.64	4.27

vestments by experts, and limiting of taxes to U. S. capital gains.

(1) **Tax Advantage:** — These funds operate so as not to be subject to any U. S. income or capital gains taxes. With respect to Canadian taxes, these funds are not subject to any capital gains tax, and practically all of their dividends from Canadian companies are tax free. Since these funds are invested almost entirely in common stocks of Canadian companies, their tax liability is minor.

As these funds accumulate and reinvest their earnings and do not pay dividends, a shareholder has no tax until he decides to liquidate. At that time the fund withholds for the Canadian Government 15% on his share of the accumulated net income and nothing on any capital gains. Thus, the shareholder would have only a U. S. capital gains tax to pay on his total profit on liquidation, against which the amount paid by the fund to Canada would be available as a credit against his U. S. capital gains tax.

(2) **List of Available Funds:** — The following foreign-owned investment funds all but one of which were formed in 1954 have combined assets at the end of 1956 of $302 million almost entirely invested in Canadian securities:

Canada General Fund (1954) Limited.
Keystone Fund of Canada Ltd.
Investors Group Canadian Fund Ltd.
Canadian International Growth Fund Ltd.
New York Capital Fund of Canada Ltd.
Scudder Fund of Canada Ltd.
Axe-Templeton Growth Fund of Canada, Ltd.
United Funds Canada Ltd.

First Boston Group Offers Public Service El. & Gas 4⅝% Bonds

The First Boston Corp. and associates are offering publicly today (Aug. 21) an issue of $60,000,000 Public Service Electric & Gas Co. first and refunding mortgage bonds, 4⅝% series due 1988, at 102.046% to yield 4.50% to maturity. The group was awarded the issue at competitive sale on a bid of 101.1699%.

Net proceeds from the sale of the new bonds will be added to the general funds of the company and applied to the payment before maturity of $10,000,000 of unsecured bank loans and to the payment of a portion of the cost of its current construction program, which is expected to total $290,000,000. Of this amount, the company estimates that about $96,000,000 has been or will be expended in the last seven months of 1958.

The new bonds are redeemable at the option of the company at regular redemption prices ranging from 106.55% for those redeemed prior to Aug. 1, 1959, to 100% for those redeemed on or after Aug. 1, 1987; and at special redemption prices ranging from 102.05% for those redeemed prior to Aug. 1, 1959, to 100% for those redeemed on or after Aug. 1, 1987.

Public Service Electric & Gas Co. is an operating public utility company engaged in the electric and gas business in New Jersey. In addition, it owns all the outstanding capital stock of Public Service Coordinated Transport, which operates a comprehensive mass bus transportation system that serves areas in New Jersey and extends into New York City, Philadelphia and Wilmington.

During the 12 months ended May 31, 1958, total operating revenues of the company amounted to $332,866,588 and net income to $34,565,993, compared with total operating revenues of $322,488,939 and net income of $34,384,882 for the calendar year 1957.

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ago. This was due in part, according to the department, to model change-over layoffs in the auto industry. The report on new claims always runs a week ahead of the one on continuing claims.

Since a mid-April high of 3,363,000, the number of workers collecting benefits has now dropped by more than 1,000,000. The portion of workers covered by unemployment insurance programs who actually collect benefits has dropped during that span from 8.1% to 5.6%.

In the steel industry, inventory cutting by steel users is over, "The Iron Age," national metalworking weekly, declared on Wednesday last.

It stated this week that metalworking firms are beginning to see the light on inventories. They consider further cuts too risky in view of unsettled conditions in the Mideast.

The metalworking magazine pointed out that this reversal of inventory policy, coupled with continued improvement in the overall economy, is responsible for the steady pickup in steel demand.

The overall gains in the market offset continued reluctance by automakers and parts suppliers to come into the market for October tonnage. The lag in auto labor negotiations is now beginning to effect the steel market and is delaying complete recovery, this trade journal observed.

In line with general improvement, one large mill expects August shipments to run about 20% better than July's, and September will show a further improvement of about 5%. The gain has come mostly from flat-rolled sheets and products used in construction.

Another producer has already booked for September as much tonnage as it shipped in June, which was the best month so far this year due to hedging against the expected price boost.

The construction outlook is especially good, according to "The Iron Age." It reported that a steady rise in structural awards during the last several months will be reflected in a still better plate and structural shapes market this fall.

Other bright spots in the steel market outlook include bigger crops, which have put more money in the farmer's bank account and he is buying more fencing and wire products and more materials handling equipment and implements. Demand for oil country drill pipe and casing also will improve, partly because of the Mideast crisis.

Regardless of what happens in automotive, the steel market is well on its way to recovery, "The Iron Age," further reported. It predicts a steady improvement in the remaining months of 1958. "And after that, steel users will begin worrying about the mid-1959 steel labor negotiations. Uncertainty over how these labor talks will turn out will give a boost to steel ordering in the second quarter of 1959 as a hedge against a possible strike. Steel operations could hit 90% of capacity during this period," it concluded.

At $354,590,000 in July, the seasonally adjusted annual rate of personal income was at a record level, according to the United States Department of Commerce. It rose fractionally from June and was 2% higher than the recession low of February. Although the total of wage and salary disbursements was higher than the prior month, it was well below the similar 1957 level.

In the automotive industry last week new car sales averaged 13,375 units daily, paralleling the 13,365 rate for entire July, "Ward's Automotive Reports" revealed on Friday last.

This agency reported good progress with the 1958 model inventory cleanup and stated that stocks are expected to drop sharply this month as sales nearly double fading factory output.

"Ward's" noted that car production the past week totaled an estimated 60,380 units compared to 65,614 in the preceding week and 117,598 in the corresponding week last year.

Chevrolet ended 1958 model output on Friday to leave only five manufacturers involved in such operations, that is, Ford, Edsel, Mercury, Lincoln and Plymouth.

Buick, Dodge, De Soto, Chrysler and Imperial were looking forward to the start of new model assembly on Monday last and they will be followed by Rambler a week later, this trade journal further reported.

"Ward's" estimated last week's truck output at 13,148 units contrasted to 15,441 in the week previous and 20,001 in the same week a year ago.

To date, 2,701,598 cars and 544,745 trucks have been turned out in the United States in 1958, according to "Ward's," compared to totals of 4,149,505 and 719,593 at the same period in 1957. The declines are 35% for cars and 24% for trucks.

New business incorporations in July totaled 12,454, up 3.9% from the 11,991 of the previous month, for the third consecutive increase. This was the highest level since January of this year. The July total exceeded the 11,686 of the similar 1957 month by 6.6%.

Despite the increase in July, new business charters for the first seven months of this year were down fractionally from the comparable 1957 period. The 1958 level was 82,933, down 0.9% from the 83,714 of a year ago and 5.5% below the record 1956 seven month total of 87,770.

Steel Output Scheduled to Reach 62.2% of Ingot Capacity This Week

Odds favor a strike in the auto industry which could block the recovery of business, "Steel" magazine stated on Monday last. The threat of a strike is already making automakers buy steel cautiously, it added.

Neither the automakers nor the union want a walkout, but chances for a settlement look less hopeful. General Motors would hate to repudiate agreements with 12 other unions (they extend their contracts) by offering something better to the United Automobile Workers union. The union has stalled so long that it would lose face by settling on company terms, this trade weekly commented.

If the walkout comes, it will be in late September or in early October at new model time. A auto walkout would probably be aimed first at Ford. The union fears that a strike against Chrysler would not necessarily influence General Motors and Ford. Action against General Motors would be far more expensive than it would be at Ford, but the Big Three are still showing astonishing solidarity, so look for operations at the other two, to end, if the Ford walkout comes, it declared.

If there is a strike, it could be a long one. That does not alarm the Big Three too much. The 5,000,000 annual car market forecast could be built in the first nine months. The fourth quarter washout would be a big blow to auto suppliers, including steel companies, "Steel" pointed out.

Automakers are in the market, but they are exercising great caution. They will not risk big orders until they get Walter Reuther's name on a contract. If the UAW calls a strike, the cash will be worth more than steel, they reason.

If the automakers are shut down in the fourth quarter, the chances of a year-end rally in steel will be dimmer.

Despite the slowness in automotive buying, the trend toward a stronger market is unmistakable, this trade weekly stated. Steelmakers have boosted their output for six consecutive weeks. Last week, they pushed the operating rate 1.5 points higher to 60.5% of capacity. Production was about 1,634,000 net tons of steel for ingot and castings. District rates were as follows: St. Louis at 74.5% of capacity, down 15.5 points from the previous week; Wheeling at 74, up 0.5 points; Cincinnati at 73, up 30.5 points; Detroit at 70, up 1.5 points; Western district at 70, up 2 points; Chicago at 69.5, up 2.5 points; Eastern district at 60, no change; Cleveland at 55, up 1.5 points; Birmingham at 53.5, down 1 point; Youngstown at 53, up 1 point; Pittsburgh at 53, up 3 points and Buffalo at 51.5% without change.

More than any other industry, construction accounts for the upturn in steelmaking. It replaced the automotive business as steel's best customer during the first half. Shipments to the major markets included: steel service centers (warehouses), 18.6% of total domestic shipments (biggest buyers, but not ultimate consumers); construction (including maintenance), 16.3; automotive, 15 and containers, 12.2%. Last year, service centers took 18.2% of finished steel shipments; automotive, 17.8 and construction, 15.7%.

Scrap prices last week moved slightly lower. Lack of buying interest is due chiefly to consumers' resistance to recent advances. "Steel's" composite slipped 67 cents to $42 a gross ton.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *104.5% of steel capacity for the week beginning Aug. 18, 1958, equivalent to 1,678,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of 101.6% of capacity, and 1,632,000 tons a week ago.

Output for the week beginning Aug. 18, 1958 is equal to about 62.2% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 60.5% the week before.

For the like week a month ago the rate was *96.2% and production 1,546,000 tons. A year ago, the actual weekly production was placed at 2,101,000 tons, or 130.8%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Recorded a New All-Time High Level For Third Consecutive Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 16, 1958, was estimated at 12,851,000,000 kwh., according to the Edison Electric Institute. Output in the past week established a new all-time high level. The previous record high was set in the week ended Aug. 9, 1958 when output reached 12,707,000,000 kwh.

For the week ended Aug. 16, 1958 output increased by 144,000,000 kwh. above that of the previous week, and 442,000,000 kwh. over that of the comparable 1957 week and an increase of 1,057,000,000 kwh. above that of the week ended Aug. 18, 1956.

Car Loadings in Week Ended Aug. 9, Declined 0.6% Under Previous Period and 16.5% Below Like 1957 Week

Loadings of revenue freight for the week ended Aug. 9, 1958 were 3,624 cars or 0.6% below the preceding week.

Loadings for the week ended Aug. 9, 1958 totaled 618,580 cars, a decrease of 121,891 cars, or 16.5% below the corresponding 1957 week, and a decrease of 96,627 cars, or 13.5% below the corresponding week in 1956.

Automotive Production Lower the Past Week as Most Manufacturers Ended 1958 Model Output and Geared For 1959 Cars

Automotive production for the week ended Aug. 16, 1958, according to "Ward's Automotive Reports," turned downward as most manufacturers ended 1958 model output and geared for 1959 cars.

Last week's car output totaled 60,380 units and compared with 65,614 (revised) in the previous week. The past week's production total of cars and trucks amounted to 73,528 units, or a decrease of 7,527 units under that of the previous week's output, states "Ward's."

Last week's car output declined below that of the previous week by 5,234 units, while truck output dropped by 2,293 vehicles during the week. In the corresponding week last year 117,598 cars and 20,001 trucks were assembled.

Last week the agency reported there were 13,148 trucks made in the United States. This compared with 15,441 in the previous week and 20,001 a year ago.

Lumber Shipments Rose 7.1% Above Production in the Week Ended Aug. 9, 1958

Lumber shipments of 474 reporting mills in the week ended Aug. 9, 1958, were 7.1% above production, according to the "National Lumber Trade Barometer." In the same period new

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orders were 14.5% above production. Unfilled orders amounted to 43% of stocks. Production was 0.2% below; shipments 0.7% above and new orders were 2.1% below the previous week and 15.1% above the like week in 1957.

Business Failures Registered a Marked Decline the Past Week

Commercial and industrial failures declined to 262 in the week ended Aug. 14 from 290 in the preceding week, Dun & Bradstreet, Inc., reports. However, casualties remained higher than the 222 in the comparable week of last year but were lower than the 289 reported in 1956. Failures were 4% more numerous than in the comparable week of prewar 1939 when 253 occurred.

Failures involving liabilities of $5,000 or more declined to 227 from 240 in the previous week, but were higher than the 198 in the comparable week of 1957. Small failures under $5,000 decreased to 35 from 50, but exceeded the 24 of the similar 1957 week. Twenty-nine businesses succumbed with liabilities in excess of $100,000 as against 28 in the preceding week.

Retailing casualties were down to 125 from 141 in the prior week, wholesaling fell to 21 from 24, construction to 32 from 47 and commercial service to 25 from 33. Meanwhile, manufacturing casualties edged up to 59 from 45. More businesses failed than a year ago in all industry and trade groups.

Geographically, the week's decline occurred in six of the nine regions. The toll in Middle Atlantic States dipped to 93 from 95, New England to 14 from 17, West North Central to 5 from 11, South Atlantic to 10 from 29, Mountain to 2 from 4 and Pacific States to 73 from 80. In contrast, casualties increased in the East North Central States to 39 from 36 and in the East South Central to 12 from 4. The West South Central States held even with the preceding week. The trend from a year ago was mixed with six areas showing an increase and three showing a decrease.

July Business Failures Dipped in Number but Increased In Dollar Volume

Although the number of business failures dipped in July to 1,253, their dollar liabilities moved in the contrary direction, climbing to $65,000,000. Despite the seasonal dip from the June number, casualties exceeded by 18% their comparable 1957 level; liabilities bulked 48% larger, lifted primarily by nine failures above the million mark.

Businesses succumbed at an apparent annual rate of 58 per 10,000 listed concerns, edging up from 57 in June and 48 per 10,000 in July a year ago. However, the current rate compares favorably with the more severe prewar rate of 71 in 1939.

Retailers and wholesalers accounted for all of the decline between June and July. Their tolls were the smallest so far in 1958. On the other hand, more manufacturing and construction casualties occurred than in the previous month. Lumber mills and general building contractors contributed largely to these July increases.

Failures in manufacturing and wholesaling ranged 40% above last year's level. Twice as many concerns succumbed as in the previous July in the printing, publishing and steel industries. The least change from a year ago took place in retail trade where there were marked upturns in only three lines—automotive, drugs and food.

Geographically, trends were mixed, both from the preceding month and a year ago. Failures climbed 50% above July, 1957, in the East North Central States, 40% in the Middle Atlantic as well as rising moderately in the New England and South Atlantic States. In contrast, fewer businesses failed in the South Central, Mountain and Pacific States. Mortality held even with last year in the West North Central Region where declining tolls in agricultural states were balanced by a considerable rise in Missouri. Large cities reported a sharper upturn from the previous July than non-metropolitan areas. Detroit, Milwaukee, Seattle, New York and Chicago suffered appreciably heavier casualties.

Wholesale Food Price Index Edged Fractionally Lower Last Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell slightly the past week. It stood at $6.57 on Aug. 12, down 0.3% from the $6.59 of the prior week, but 3.3% higher than the $6.36 of the similar date a year ago.

Commodities quoted higher last week were flour, wheat, corn, rye, oats, hams, lard, cottenseed oil and steers. Lower in wholesale price were barley, beef, bellies, cheese, sugar, coffee, cocoa, eggs and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Turned Slightly Downward Last Week

Lower prices on most grains, flour, coffee and cotton offset increases in steel scrap, some livestock and lard the past week, holding the general commodity price level somewhat below that of a week earlier. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 278.69 on Aug. 11, down somewhat from the 279.96 of the prior week. On the comparable date a year ago the index was 293.66.

Despite a moderate rise in export buying, wheat prices fell appreciably the past week. Although commercial supplies of wheat expanded during the week, not enough was of the quality desired by flour mills. Favorable weather reports in growing areas and expectations that harvests would be larger than previously estimated discouraged the buying of corn, oats and rye. As a consequence, prices slipped below the prior week. Trading in soybeans declined noticeably with prices down somewhat.

Although flour trading climbed noticeably at the beginning of the week, it turned lower at the close. Flour prices were down substantially from a week earlier. Supplies of rice were limited again the past week and buying held steady, leaving prices close to those of the prior week. Reports of favorable harvesting conditions indicated that rice stocks would expand in the next few weeks.

There was a fractional rise in cocoa prices a week ago, as transactions improved. Following the reduction in retail coffee prices, roasters cut their prices during the week. A slight rise in coffee trading at wholesale occurred at the end of the period. Sugar buying picked up appreciably and wholesalers reported a slight rise in spot prices.

A moderate decline in trading in steers occurred, causing prices to fall moderately. Cattle receipts in Chicago fell noticeably below the prior week. Hog receipts expanded substantially, sending prices below those of a week earlier. Hog buying, however, was steady. Purchases of lambs were sustained close to those of the prior week, but prices declined fractionally on increased receipts.

The larger than expected official crop forecast of 11,583,000 bales discouraged cotton trading last week. As a result, prices on the New York Cotton Exchange slipped somewhat. United States exports of cotton for the week ended Aug. 5, were estimated at 105,000 bales at the New York Cotton Exchange Service Bureau. This compared with 77,000 bales in the previous week and 70,000 bales in the comparable 1957 period. For the current season through Aug. 5, the average was 47,000 bales as against 23,000 bales last year.

Trade Volume in Latest Week Held Close to the Level of a Year Ago

Year-to-year gains in sales of major appliances, linens and housewares offset declines in apparel and furniture last week and over-all retail trade equaled that of the similar period last year. Interest in new passenger cars slipped slightly during the week and sales were again noticeably below a year ago, spot checks show.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 2% below to 2% higher than a year ago, according to Dun & Bradstreet, Inc. Regional estimates varied from the comparable '57 levels by the following percentages: New England States +4 to +8%; South Atlantic +2 to +6; West South Central 0 to +4; Mountain —1 to +3; West North Central —2 to +2; Middle Atlantic and Pacific Coast —3 to +1; East North Central and East South Central States —5 to —1%.

The buying of women's summer sportswear and cotton dresses fell during the week holding over-all volume in women's apparel slightly below a year ago. There was a moderate rise in purchases of fall dresses, coats, suits and some accessories. Although the call for men's fall suits and furnishings expanded somewhat, interest in summer clothing slackened and total sales slipped below last year. There was an appeciable rise in children's back-to-school apparel.

A noticeable rise in the buying of automatic laundry equipment and dishwashers boosted sales of major appliances moderately over last year. Retailers reported a slight increase in volume in air conditioners and trading matched that of a year ago. Despite slight increases from the prior week in upholstered chairs and bedding, there was a fractional year-to-year dip in total furniture sales. Interest in linens, floor coverings and draperies equalled that of the similar 1957 week.

Food sales remained close to a week earlier. Housewives were primarily interested in fresh produce, canned fish, cold cuts, some dairy products and fresh meat. The call for poultry, baked goods and frozen foods was unchanged from the prior week. Some retailers reported limited stocks of canned goods.

A substantial rise in bookings in women's Fall apparel occurred last week and total volume moderately exceeded that of a year ago. Best-sellers were coats, suits and better dresses. Attendance at the showing of the Retailers Jewelers of America, Inc. in New York was heavy and exceeded expectations. A slight rise occurred in the buying of men's Fall merchandise and volume held close to that of a year ago. Wholesalers reported slight year-to-year gains in the call for children's back-to-school clothing.

Purchases of furniture at southern markets expanded noticeably in the week and sales matched those of a year ago. Volume in other markets was sustained at the level of the prior week. The call for linens improved but interest in draperies and floor covering remained unchanged. There was a slight rise in orders for refrigerators and automatic dishwashers, while the buying of air conditioners and fans lagged.

Over-all textile trading slackened in the week. Transactions in woolens and worsteds were down noticeably from the prior week and light offerings limited the sales of carpet wool in Philadelphia and Boston. Although volume in print cloths and broadcloths picked-up somewhat, sales of other cotton gray goods lagged. New England dyers and finishers reported a slight rise in incoming orders.

Little change was noted in wholesale food buying last week. Increased buying of canned fish and citrus juices offset declines in canned fruit and vegetables. Volume in fresh meat, fresh produce and poultry expanded somewhat, while interest in rice, flour and some dairy products dipped fractionally.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 9, 1958, rose 1% above the like period last year. In the preceding week, Aug. 2, 1958, an increase of 3% was reported. For the four weeks ended Aug. 9, 1958, a gain of 2% was also recorded. For the period Jan. 1, 1958 to Aug. 9, 1958, a decrease of 2% was reported below that of 1957.

Retail trade sales volume in New York City last week was unchanged to between 2 and 4% above the volume for the similar week of 1957, estimates disclose.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 9, 1958 declined 1% below that of the like period last year. In the preceding week Aug. 2, 1958, a gain of 4% was reported. For the four weeks ended Aug. 9, 1958, an increase of 3% was reported. For the period Jan. 1, 1958 to Aug. 9, 1958 an increase of 1% was registered above that of the corresponding period in 1957.

July Home Loans by Saving & Loan Assns. At Record High Level

League President Joseph Holzka announces savings and loan associations set record new high in home lending for month of July. The Staten Island savings official states this also was the third biggest lending month in the Association's history and reflects housing revival trend.

Reflecting the revival in home building and buying, the July home lending volume of the nation's savings and loan associations set a new record for any July, the United States Savings and Loan League reported.

Joseph Holzka

Joseph Holzka, League President, said that savings and loan institutions made an estimated $1,153,000,000 in home loans during July, the biggest lending total for any July in history. The previous biggest July lending month was in 1955, when the home loan volume was $1,054,000,000.

The July, 1958, home loan total was also the third biggest lending month in savings and loan history, exceeded only by June and August of 1955.

Mr. Holzka, President of the Northfield Savings and Loan Association of Staten Island, N. Y., said that the sharp upturn in home lending in July represented a 19% increase in savings and loan lending over July, 1957. This was the biggest increase for any 1958 month over 1957.

Heartened By Upswing

The League official called the July statistics "heartening evidence" of the way American savings and loan associations stepped up their home lending in response to the challenge of the recession.

"In each month of 1958, including those early months of the year when the economic news was most grim, American savings and loan associations loaned more money for home building and buying than in the comparable month of 1957," he commented. "These institutions have thus made an enormous contribution toward breaking the back of the recession."

Statistics released by Mr. Holzka disclosed that in the first seven months of 1958, January through July, the home loan volume of savings associations amounted to nearly $6.5 billion, or a gain of 8% over the same seven months of 1957.

Mr. Holzka said that on the basis of present trends, it looks as if the 1958 home loan volume of savings associations will exceed $11 billion, a figure which would be substantially ahead of last year's loan volume of $10.4 billion, and second only to the peak lending figure of $11.4 billion in the record building year of 1955.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS Mo.—Paul R. Estep is now with Dempsey-Tegeler & Co., 1000 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Estep in the past was Wichita Manager for B. C. Christopher & Co.

Mutual Banks Membership in ABA to Be Voted Upon in September

Enlivenment of American Bankers' Assn.'s convention, to be held in September, can be expected as a result of proposed amendment to exclude mutual savings banks from membership. The Association's head, Joseph C. Welman, sees no need to deny membership to mutuals as proposed by Long Island banker, Arthur T. Roth.

Information for voting delegates and procedures involved in bringing a constitutional amendment proposal to the floor of the general convention of the American

Joseph C. Welman Arthur T. Roth

Bankers Association were reviewed in a letter to ABA member banks from Joseph C. Welman, Association President.

The convention will be held in Chicago, Sept. 21-24. Delegates will vote on a proposed amendment to the Association's constitution that, if passed, would have the effect of excluding mutual savings banks from membership. With Mr. Welman's letter he included a copy of the proposed amendment, submitted by Arthur T. Roth, President of The Franklin National Bank of Long Island, Franklin Square, New York.

This membership exclusion proposal is expected to enliven the convention's formal business proceedings considerably.

Mr. Welman pointed out that each member bank is entitled to one official delegate with voting privileges, and he noted that, if more than one officer from a bank is to attend the convention, it should be decided in advance which one is to be the official delegate.

"While we have problems involving the issues raised by Mr. Roth," said Mr. Welman, "I feel that these problems can be solved within the ABA without denying membership privileges to mutual savings banks. I have previously said that I do not favor the proposed amendment. However, this is a matter for consideration by the Executive Council and for action by the official delegates in attendance at the convention.

"Mr. Roth, in a circular letter dated Aug. 11, 1958, stated that the voting will be by secret ballot. I have heretofore informed Mr. Roth and others that this method of voting will be recommended to the general convention, but that this, nevertheless, is a matter for determination by the general convention.

"As required by Article XI, Section 1, of the ABA constitution, this proposed amendment will be submitted to the Executive Council at its meeting in Chicago on Monday, Sept. 22, for its approval or disapproval and will then be submitted to the general convention at its first general session, Tuesday, Sept. 23."

Hear! Hear!

"The Congress and Administration have chosen to provide stimulus to business in the recession by increased Federal expenditures of almost all types. This approach, more attractive politically than providing stimulus to enterprise by tax reforms, has been pursued with such enthusiasm that the President had to confess on July 2 that there was no prospect of regaining a balanced budget for at least two years.

"No one can say how big a deficit the President will forecast for fiscal 1960 in his budget message next January. But closer at hand there is the problem of finding buyers for $10 or $12 billion U. S. Government securities to finance the fiscal 1959 deficit in the face of improving business news and a prospect of strengthening private credit demands. In addition to raising new money, and retaining a market for $22 billion 91-day bills, the Treasury will have to refinance $46.1 billion of marketable certificates, notes and bonds maturing in the next 12 months.

"What the Federal Reserve has done is by way of an emergency stopgap, which gains some time.

* * *

"But most essential is getting Federal Government expenditures and financial commitments of every type under control. It is not fair to ask anyone to buy bonds of a government which seems to be embarked on deficits as a way of life.

"As President Grover Cleveland wisely stated in his last annual message to Congress, in 1896: 'The way to perplexing extravagance is easy but a return to frugality is difficult.'

"Yet the task, in the end, cannot be escaped. National strength and solvency—the preservation of free institutions and trust in government—depend upon facing fiscal facts."—First National City Bank.

We shall not gild the lily!

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The Management of Bank Funds Under Current Economic Conditions

(3) A good distribution of short-term quality loans.

(4) Long-term investments and loans.

(5) Building, furniture, fixtures and other assets.

As of Dec. 31, 1957, all insured commercial banks had 21.8% of their total assets in the form of cash and due from bank items. These items may be regarded as a bank's gross primary reserve, or simply its primary reserve. Net primary reserves would exclude cash items in the process of collection, which, in 1957, were equal to 6.2% of assets. The net primary reserve position for all insured commercial banks was, therefore, equal to 15.6% of total assets. Gross figures for primary reserves are usually used, since the balance sheets of banks that are generally available do not show a breakdown of the items. About 1.5% of assets in the primary reserve were represented by coin and currency.

Primary and Secondary Reserves

Primary reserves carry little risk, under present conditions, and serve to provide the individual bank with liquidity. The amount of primary reserves required of any bank will be governed by the required reserves, need for clearing and other correspondent services and the amount of cash on hand. These, in turn, will be related to such factors as the location of the bank, demands for credit, stability of deposits, seasonal and cyclical trends and the amount and nature of the secondary reserve. Primary reserves are non-income producing, which militates against excessive holdings on the part of individual banks. For the 100 banks in the Kentucky study, the range of primary reserves was from 8.85% to 45.07%, as of Dec. 31, 1957. Figures for a single date can scarcely be regarded as representative but the extremes, as of that date, reflect an inadequate primary reserve on one hand and excessive liquidity on the other.

Secondary reserves serve to back up the primary reserve and still provide some income. Secondary reserve items are (1) short-term, (2) high-grade, and (3) easily marketable. Money market items are typically secondary reserves. For most small banks, this will mean short-term government issues. Where to draw the line in defining "short-term" is debatable. If we draw it at five years, it should be with an understanding that the bulk of the maturities will be concentrated within one or two years, represented by bills, certificates and near maturity bonds and notes. Applying the five-year definition, we find that all insured commercial banks had 19.9% of their assets in secondary reserves as of Dec. 31, 1957. Total primary and secondary reserves were equal to 41.7%. These figures may be used as a guide for individual banks if it is remembered that special circumstances may require a higher percentage or facilitate a lower percentage. Some shifting between the primary and secondary reserves is also permissible.

Most of the remaining assets may be regarded as "risk assets," although non-marketable government securities can usually be excluded from this classification. The risks involved may be of the money or credit variety or even a combination of both.

Money risks are usually associated with longer-term investment items and are due to changing market rates of interest. As interest rates rise, market values decline. This risk cannot be avoided, even on long-term government obligations. Gains may accrue if interest rates fall.

Credit risks are associated with the possibility that the borrower will be unable to pay. All loans involve some degree of credit risk as do most investments. Loan risks are difficult to predetermine but are related to the financial capacity of the borrower and the security offered as collateral. Longer-term loans may expose a bank to greater risk and at the same time reduce liquidity. Banks used in the Kentucky study were asked to supply monthly information on loan payments and payoffs. From these data, an average monthly payment and payoff figure was determined. This was in turn related, as a percentage, to the total loans shown on the balance sheet, as of the end of the period. If the loan portfolio turned over on an average of once a year, the monthly percentage would be 8⅓. About half of the banks were able to supply this information. The lowest percentage of monthly payments and payoffs was 3.7% for a bank holding 33.5% of its assets in real estate loans. The highest percentage was 34.4 which means that the average loan was paid off in about three months. Most of the loans made by this bank were classified as single payment loans to individuals. It also held a large volume of commercial loans. As a bank locks up funds in long-term loans it needs to balance its position with a higher percentage of primary and secondary reserves. The ratio of capital accounts is also significant in measuring ability to absorb money and credit risks.

These are just some of the many factors that affect the employment of bank funds. In many instances, the distribution of bank assets cannot be explained in terms of any set of principles but is dependent upon individual beliefs and preferences. Many banks included in the 100 Kentucky banks had total primary and secondary reserves of well over 60% of assets. This kind of banking may not maximize profits but it does facilitate a good night's sleep.

H. L. Pitser Opens

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Harold L. Pitser is conducting a securities business from offices at 322 Forsyth Street under the firm name of Pitser & Co.

Lichtman, Mong Adds

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif. — Peter P. S. Baird, Raymond E. Giorgi and Dean C. Schrader have been added to the staff of Lichtman, Mong & Co., 1139 Chestnut Street.

Joins First Southern

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Hugh G. Pike has become associated with The First Southern Corp., 652 Peachtree Street, N. E.

With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Laurence H. Easterling, Jr. has joined the staff of Hooker & Fay, 221 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Continued from page 2

The Security I Like Best

served, particularly the increased interest in complete oilfield "automation" at the wellhead, requiring the services of an increase in the number of trained engineers. Indeed, expenses for product research and development increased substantially during the year; but in line with experience, the initial expense of setting up any program of improvement is usually the greatest. As the program becomes established, the percentage of cost allocated to it diminishes, and further innovations designed to reduce costs become almost automatic. The president of the company states on this score: "Our product development program has already resulted in sales gains in several product lines, and promises most beneficial long range results."

The Company's Strong Financial Position

Black, Sivalls & Bryson enjoys a strong financial position. Current ratio at the midyear of 1958 was a liberal 4 to 1, reflecting the additional $2,500,000 raised through the private placement of 25,000 shares of a new preferred stock. If all goes well, this stock during the next four years will probably be supplanted, through retirements and the exercise of attached warrants. These entitle the holder to subscribe to two shares per warrant to common stock at $22 per share. They sell in the over-the-counter market around $8, giving an equivalent value to the stock of $26 per share. An older issue of preferred, also privately placed carries a warrant for one share at $27.50.

Outstanding debt through June, 1958, has been reduced by $534,500 to $4,109,000, the lowest in recent years; and notes payable to banks by $2,700,000 from $6,000,000 among current liabilities.

The net worth of the common stock at midyear, 1958, is $30.10 per share.

The first half of 1958 felt the brunt of the presently expiring recession, and the second quarter witnessed an extension of satisfactorily profitable operations.

Dividends Continuous Since 1939

Outstanding common shares at present number 510,250. A decade ago the number was only 300,000 when the net worth was only $20.13 per share. Working capital during the past decade more than doubled—$17,311,331 as of Dec. 31, 1957 from $8,054,039.

The present rate of dividend on the common stock is $1.40 per annum, a rate established at the beginning of 1954. The average rate during the past decade was $1.33 which is only 37% of the annual average balance available for common dividends.

The present total of both preferred and common dividends is only about half the net earnings of the past decade—$862,791 versus $1,641,484.

On its historical record, the common stock, in my opinion, is attractive—especially so for an equity with the assured growth potential inherent in the company's area of productive activity.

Joins York & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Paul R. Ferwerda is now affiliated with York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange. He was previously with First California Company.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Acme United Life Insurance Co., Atlanta, Ga.
June 30 filed 315,000 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of three new shares for each two shares held of record June 30, 1958. **Price**—$6.25 per share to shareholders, and $7.50 for any unsubscribed shares. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Aircraft Armaments, Inc., Cockeysville, Md.
July 16 (letter of notification) 70,000 shares of common stock (par $1) being offered for subscription by minority stockholders of record July 10, 1958 at rate of seven new shares for each eight shares held (with an oversubscription privilege); rights to expire on Sept. 5. An additional 280,000 shares will be subscribed for by parent, United Industrial Corp., at the same price. **Price**—$2.50 per share. **Proceeds**—To reduce its present short term indebtedness and to procure production and test equipment. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

Ampal-American Israel Corp., New York
Aug. 8 filed $3,289,100 of 10-year discount debentures, series E. **Price**—61.027% of principal amount, payable in cash or in State of Israel Independence Issue or Development Issue bonds. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Apache Oil Corp., Minneapolis, Minn.
July 28 filed 94,766 shares of common stock (par $2.50) to be offered for subscription by stockholders at the rate of one new share for each four shares held about Aug. 18, 1958. Rights to expire on Sept. 2. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis, Minn.

Arden Farms Co., Los Angeles, Calif.
June 4 filed 172,162 shares of common stock (par $1) being offered for subscription by holders of outstanding common stock at the rate of one new share for each five shares held on July 7, 1958; rights to expire about Sept. 22, 1958. **Price**—$14 per share. **Proceeds**—To pay off an equivalent portion of the company's current bank loans which, at May 15, 1958, amounted to $8,450,000. **Underwriter**—None. Statement effective July 7.

Arizona Color Film Processing Laboratories
July 14 filed 500,000 shares of common stock (par $1). A recission offer is being made with respect to stock offered beginning April 8, 1958 to residents of the State of Arizona. **Price**—$2 per share. **Proceeds**—For land, building and equipment, and working capital. **Office**—Scottsdale, Ariz. **Underwriter** — None. Statement effective Aug. 4.

Arnold Altex Aluminum Co. (8/27)
July 28 filed 300,000 shares of 35 cents cumulative convertible preferred stock (par $4). **Price**—To be supplied by amendment. **Proceeds**—$1,150,000 is to be used for repayment of funds borrowed from James Talcott, Inc., on assignment of accounts receivable and warehouse receipts; $40,000 for the purchase of additional equipment; and the balance for general corporate purposes. **Office**—Miami, Fla. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

Associated Grocers, Inc., Seattle, Wash.
June 30 filed 4,788 shares of common capital stock (par $50) and $1,500,000 of 5% subordinated registered debenture notes, second series, and $606,000 of 5% coupon bearer debentures. To be offered to members of the association. **Proceeds** — For working capital. **Underwriter**—None.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

Bankers Management Corp. (8/27)
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

● **Budget Finance Plan, Los Angeles, Calif. (9/26)**
June 10 filed 132,000 shares of 6% serial preferred stock ($10 par). **Price**—To be supplied by amendment. **Proceeds**—To be used in conjunction with proposed merger of company and Signature Loan Co., Inc. **Underwriter**—Shearson, Hammill & Co., New York.

Cador Production Corp., Far Hills, N. J.
Aug. 7 filed 1,003,794 shares of class A stock (par $1) and 156,569 shares of class B stock (par 60 cents), the class A shares to be issued in exchange for oil and/or gas properties and the class B shares to be issued as commissions. **Underwriter**—Cador, Inc., Far Hills, N. J.

★ **Cal Ray Bakeries Inc.**
Aug. 12 (letter of notification) 42,800 shares of common stock (par $1). **Price** — $7 per share. **Proceeds** — For working capital. **Office**—239 North Howard St., Glendale, Calif. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

Calidyne Co., Inc., Winchester, Mass.
June 4 filed 230,875 shares of common stock (par $1) These shares are issuable upon conversion of an aggregate principal amount of $923,500 of 10-year 3% convertible subordinated income notes of the Calidyne Co., a limited partnership, which notes were assumed by the company Dec. 31, 1957. The notes are convertible at any time after July 1, 1958, until the maturity or prior redemption of the notes at a conversion price of $4 per share. **Underwriter**—None.

Campbell Chibougamau Mines Ltd.
March 10 filed 606,667 shares of capital stock (par $1), of which 506,667 were issued in connection with the acquisition of all the assets of Yorcan Exploration Ltd. (latter proposes to distribute said shares ratably to its stockholders of record Dec. 16, 1957). The remaining 100,000 shares are to be sold for the account of the Estate of A. M. Collings Henderson on the American and Toronto Stock Exchanges. **Price**—At market. **Proceeds**—To selling stockholders. **Office**—Toronto, Canada. **Underwriter**—None.

Canada Dry Corp. (8/27)
Aug. 6 filed 392,611 shares of common stock (par $1.66⅔) to be offered for subscription by common stockholders of record Aug. 26, 1958 on the basis of one new share for each five shares held; rights to expire on Sept. 11. **Price**—To be supplied by amendment. **Proceeds**—For repayment of bank loans, to purchase and install machinery, and for working capital. **Underwriters**—Eastman Dillon, Union Securities & Co.; Hornblower & Weeks, and Winslow, Cohu & Stetson, all of New York.

Carrtone Laboratories, Inc., Metairie (New Orleans), La.
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—None.

Central Oils Inc., Seattle, Wash.
July 30 filed 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For drilling costs. **Underwriter**—None. Offering to be made through A. R. Morris and H. C. Evans, President and Vice-President, respectively, on a best-efforts basis. **Office**—4112 Arcade Building, Seattle, Wash.

Cinemark II Productions, Inc.
June 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 937 Acequia Madre Rd., Santa Fe, N. M. **Underwriter**—Watson & Co., Santa Fe, N. M.

Columbia & Rensselaer Telephone Corp.
Aug. 4 (letter of notification) 2,800 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each 2.572 shares held. **Price**—$60 per share. **Proceeds**—For construction of new telephone plant. **Office**—19 Railroad Avenue, Chatham, N. Y. **Underwriter**—None.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares ? common stock to be offered in units as follows: $1,00 of bonds and 48 shares

NEW ISSUE CALENDAR

August 25 (Monday)
Southern California Edison Co.______________**Bonds**
(Bids 9 a.m. PDT) $50,000,000

August 26 (Tuesday)
Electric Power Co., Inc.______________Common
(Craig-Hallum, Inc.) $198,000
Montana Power Co.______________**Bonds**
(Bids noon EDT) $20,000,000

August 27 (Wednesday)
Arnold Altex Aluminum Co.______________Preferred
(Cruttenden, Podesta & Co.) $1,200,000
Bankers Management Co.______________**Common**
(McDonald, Holman & Co., Inc.) $400,000
Canada Dry Corp.______________Common
(Offering to stockholders—to be underwritten by Eastman Dillon, Union Securities & Co.; Hornblower & Weeks; and Winslow, Cohu & Stetson) 392,611 shares
One-Hour Valet, Inc.______________Common
(R. S. Dickson & Co., Inc.) 102,566 shares
Pennsylvania Power Co.______________Bonds
(Bids 11 a.m. EDT) $8,000,000

September 2 (Tuesday)
Grace Line Inc.______________Santa Rosa Bonds
(Merrill Lynch, Pierce, Fenner & Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White, Weld & Co. and F. Eberstadt & Co.) $9,000,000

September 4 (Thursday)
North Carolina Natural Gas Corp.___Debs. & Com.
(Kidder, Peabody & Co.) $8,580,000

September 9 (Tuesday)
Utah Power & Light Co.______________Bonds
(Bids noon EDT) $20,000,000

September 10 (Wednesday)
South Carolina Electric & Gas Co.______________Bonds
(Bids 11 a.m. EDT) $10,000,000
Stevens Markets Inc.______________Preferred
(R. S. Dickson & Co., Inc.) $1,166,050
Washington Natural Gas Co.______________Common
(Dean Witter & Co.) 100,000 shares

September 11 (Thursday)
Western Development Co.______________Debentures
(W. C. Langley & Co.) $3,500,000

September 15 (Monday)
Gulf States Utilities Co.______________Bonds
(Bids to be invited) $17,000,000
Moore-McCormack Lines, Inc.______________Bonds
(Kuhn, Loeb & Co. and Lehman Brothers) $24,000,000
Pacific Automation Products Inc.______________Common
(William R. Staats & Co.) 125,000 shares
Rassco Financial Corp.______________Debentures
(Rassco Israel Corp.) $1,000,000

September 16 (Tuesday)
Suburban Gas Service Inc.______________Common
(Kidder, Peabody & Co.) 100,000 shares

September 17 (Wednesday)
Public Service Co. of Indiana, Inc.______________Preferred
(Blyth & Co., Inc.) $24,282,600

September 23 (Tuesday)
Consumers Power Co.______________Bonds
(Bids 11 a.m. EDT) $35,000,000
Consumers Power Co.______________Preferred
(Morgan Stanley & Co.) $15,000,000

September 26 (Friday)
Budget Finance Plan______________Preferred
(Shearson, Hammill & Co.) $1,320,000

September 30 (Tuesday)
Mountain States Telephone & Telegraph Co.______________Common
(Offering to stockholders—no underwriting) $70,096,100
Southwestern Bell Telephone Co.______________Debentures
(Bids to be invited) $110,000,000

October 1 (Wednesday)
National Fuel Gas Co.______________Debentures
(Bids 11:30 a.m. EDT) $25,000,000

October 21 (Tuesday)
Cincinnati & Suburban Bell Telephone Co.___Debs.
(Bids to be received) $25,000,000

of stock and $100 of debentures and nine shares of stock Price—To be supplied by amendment. Proceeds — To construct refinery. Underwriter—Lehman Brothers, New York. Offering—Indefinite.

Consolidated Cuban Petroleum Corp.
July 1 filed 419,000 outstanding shares of common stock (par 20 cents). Price—Related to the current market price on the American Stock Exchange. Proceeds—To selling stockholders. Underwriter—None.

Cooperative Grange League Federation Exchange, Inc.
June 20 filed $400,000 of 4% subordinated debentures, 10,000 shares of 4% cumulative preferred stock (par $100) and 200,000 shares of common stock (par $5). Price—At par. Proceeds—To be added to working capital. Office—Ithaca, N. Y. Underwriter—None.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock, (par one cent). Price—At market. Proceeds—For investment. Underwriter — Counselors Research Sales Corp., St Louis. Robert H. Green is President.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. Price — To be supplied by amendment. Proceeds—For capital expenditures, exploration costs and other corporate purposes. Underwriter—None

Curtis (S.) & Son Inc.
July 18 (letter of notification) 5,000 shares of common stock (par $10) being offered for subscription by stockholders at the rate of five new shares for each 17 shares held of record Aug. 12, 1958; rights to expire on Aug. 22. Price—$20 per share to stockholders; to public $21 per share. Proceeds — To finance additional building, machinery, equipment, and for working capital. Office Sandy Hook, Conn. Underwriter—Smith, Ramsey & Co., Inc., Bridgeport, Conn.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. Price—At market. Proceeds—For exploration and drilling costs and other corporate purposes. Underwriter—Herrin Co., Seattle, Wash.

Delhi-Taylor Oil Corp., Dallas, Texas
July 15 filed 575,869 depositary units for the class A stock of the Houston Corp., to be offered for subscription by the holders of common stock of Delhi-Taylor of record May 23, 1958 on a 1-for-10 basis (with an oversubscription privilege). Each depositary unit will represent (a) the beneficial ownership of one share of class A stock of the Houston Corp. and (b) an irrevocable option to purchase 8,945/10,000ths of one additional share of class A stock of Houston during a two-year period commencing on Aug. 15, 1959, or such earlier date as may be determined. Price—To be supplied by amendment. Underwriters—Lehman Brothers and Allen & Co., both of New York.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. Price—$1 per share. Proceeds—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. Office—Toronto, Canada, and Emporium, Pa. Underwriter—None.

Diketan Laboratories, Inc.
June 10 (letter of notification) 43,336 shares of common stock (par $1) to be offered to stockholders on the basis of one share for each 10 shares held until the close of business on June 20, 1958. Price—$1.10 per share. Proceeds—For the general fund of the company. Office—5837 W. Adams Blvd., Culver City, Calif. Underwriter—Lloyd Arnold & Co., Beverly Hills, Calif.

★ Dillard Associates Ltd., Wichita Falls, Texas
Aug. 14 filed 300 Limited Partnership Interests. Price—$10,000 per unit. Proceeds—For the exploration, development and operation of oil and gas properties in any state or territory of the United States. The prospectus states that each subscriber may be assessed up to a maximum of one-half of his subscription for the development fund of the Partnership, in addition to the initial price of the Partnership Interest. Underwriter—None.

Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held Price—To be supplied by amendment. Proceeds—For expansion and general corporate purposes. Office—Clifton, N. J. Underwriter—P. W. Brooks & Co., Inc New York. Offering—Indefinitely postponed. Statement will be withdrawn. Other financing may be arranged.

★ Dresser Engineering Co.
Aug. 12 (letter of notification) an undetermined number of shares of common stock (par $100) not to exceed an aggregate value of $50,000 in any year to be offered to employees pursuant to an Employee Stock Purchase Plan. Stock will be purchased on the open market. Price—At book value. Office—Masonic Bldg., P. O. Box 2518, Tulsa, Okla.

Drinks, Inc.
July 28 (letter of notification) 200,000 shares of common stock (par five cents). Price—$1.50 per share. Proceeds—For working capital and reducing current indebtedness. Office—136 East 38th Street, New York 16, N. Y. Underwriter — Capital Reserve Corp., 1346 Connecticut Avenue, Washington 6, D. C.

● Electric Power Door Co., Inc. (8/26)
Aug. 8 (letter of notification) 30,000 shares of class A common stock (par $5). Price—$6.60 per share. Proceeds—For general corporate purposes. Office — 2127 East Lake St., Minneapolis, Minn. Underwriter—Craig-Hallum, Inc., also of Minneapolis.

★ Electronic Specialty Co., Los Angeles, Calif. (8/25)
Aug. 8 (letter of notification) not in excess of $300,000 aggregate value of common stock (par 50 cents). Proceeds—To selling stockholders. Underwriter—Bateman, Eichler & Co., Los Angeles, Calif.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. Price—At par ($5 per share). Proceeds—To cover operating expense during the development period of the corporation. Underwriter—None.

Exploration Service Co., Ltd., Far Hills, N. J.
Aug. 11 this company and Amkirk Petroleum Corp. (latter of Fort Worth, Texas) filed $400,000 of working interests (non-producing in Sinu Valley Project), to be offered for sale in $12,500 units (of which $8,000 is payable in cash and $4,500 is to be represented by promissory notes). Proceeds—Exploration Service Co. to acquire 80% interest in a certain concession from Amkirk and for exploration program. Underwriter—Cador, Inc., Far Hills, N. J.

Federal Commercial Corp.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—50 cents per share. Proceeds—To make loans, etc. Office — 80 Wall St., New York, N. Y. Underwriter—Dumont Securities Corp., New York, N. Y.

Fields' Louisiana Corp., Baton Rouge, La.
July 31 filed 400 shares of common stock (no par) $500,000 of 6% debenture bonds and $50,000 of promissory notes to be offered in units of four shares of stock, $5,000 of bonds and $500 of notes. Price—$7,500 per unit. Proceeds—To take over a contract to purchase the Bellemont Motor Hotel in Baton Rouge; for equipment; and working capital. Underwriter—None.

First Backers Co., Inc., Clifton, N. J.
April 7 filed $1,000,000 of 12% notes, payable nine months after date of issue in units of $100 or in multiples thereof. Price—100% of principal amount. Proceeds—To be used solely for purchase of notes and other indebtedness issued in payment for improvements on homes and secured by mortgages or other liens upon the improved properties. Underwriter—None.

Florida National Development Corp.
Aug. 7 (letter of notification) 300,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—For development of land, promotion and sale of existing properties, payment of mortgage and working capital. Office—438 Mercantile Bank Bldg., Miami Beach, Fla. Underwriters — James Anthony Securities Corp., New York; and Schwerin, Stone & Co., Great Neck, L. I., N. Y.

Forest Laboratories, Inc.
March 26 filed 150,000 shares of capital stock (par 10 cents). Price—$2.50 per share. Proceeds—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. Office—Brooklyn, N. Y. Underwriters—Statement to be amended.

● Fort Pierce Port & Terminal Co.
May 23 filed 2,138,500 shares of common stock (par $1). Price—To be supplied by amendment. Proceeds—To pay some $174,000 of outstanding indebtedness and to complete phase one of the port development plan, at a cost of $1,425,248, and the balance will be added to working capital. Office—Fort Pierce, Fla. Underwriter—Atwill & Co., Inc., of Miami Beach, Fla., on a best efforts basis. Stop order proceedings have been instituted by SEC.

Fred Astaire Dance Studios (Metropolitan New York), Inc.
Aug. 7 (letter of notification) 299,940 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—For constructing and furnishing new dance studios. Office—487 Park Ave., New York, N. Y. Underwriter—Willis E. Burnside & Co., Inc., New York, N. Y.

★ Fremont Valley Inn
Aug. 6 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds—To erect and operate an activities building, comprising a restaurant, cocktail lounge and coffee shop. Office—3938 Wilshire Blvd., Los Angeles, Calif. Underwriter—Oscar G. Werner & Co., Pasadena, Calif.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1) Proceeds—To the Attorney General of the United States Underwriter—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. Price—$3.50 per share. Proceeds—For expansion, equipment and working capital. Underwriter—None.

Georgia Casualty & Surety Co., Atlanta, Ga.
May 6 filed 450,000 shares of common stock (par $1). Price—$6 per share. Proceeds — For general corporate purposes. Underwriter—Buckley Enterprises, Inc.

Glassheat Corp.
Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). Price—$2 per share. Proceeds—For general corporate purposes. Office—1 E. 35th Street, New York 16, N. Y. Underwriter—James Anthony Securities Corp., 37 Wall St., New York 5, N. Y.

★ Golden Hills Motor Hotel, Inc.
Aug. 11 (letter of notification) 1,600 shares of common stock. Price—At par ($50 per share). Proceeds—For working capital. Address—P. O. Box 775, Pendleton, Ore. Underwriter—None.

★ Great American Realty Corp., N. Y.
Aug. 18 filed 484,000 shares of class A stock (par 10 cents). Of this stock, the company proposes to offer 400,000 shares and certain selling stockholders 40,000 shares, the remaining 44,000 shares being subject to option to be offered for the account of the underwriters. Price—To be supplied by amendment. Proceeds—For working capital and other corporate purposes. Underwriters—Joseph Mandell Co. and Louis L. Rogers Co., both of New York, on a best efforts basis.

★ Great Northern Life Insurance Co.
Aug. 12 (letter of notification) 31,011 shares of common stock (par $1) to be offered to stockholders on the basis of one new share for each seven shares held; warrants to expire Sept. 20, 1958. Unsubscribed shares to be offered to stockholders until Oct. 20, 1958; then to public. Price—$3 per share. Proceeds—For general funds to be used for expansion. Office—119 W. Rudisill Blvd., Fort Wayne, Ind. Underwriter—Northwestern Investment Inc., 502 Gettle Bldg., Fort Wayne, Ind.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16, 1957, filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. Price—$10 per share. Proceeds—For working capital and general corporate purposes. Underwriter—None.

★ Gulf States Utilities Co. (9/15)
Aug. 14 filed $17,000,000 of first mortgage bonds, series A, due 1988. Proceeds—Together with cash on hand, to redeem and retire $17,000,000 principal amount of 4⅝% first mortgage bonds due 1987. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. Bids—Expected to be received on Sept. 15.

Hoagland & Dodge Drilling Co., Inc.
June 12 filed 27,000 shares of capital stock. Price—$10 per share. Proceeds—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. Office—Tucson, Ariz. Underwriter—None.

● Houston Corp.
July 3 filed 818,333 shares of common stock (par $1) and 575,869 shares of class A stock (par $1) being offered to holders of outstanding common, on the basis of 1.51 times for each share of common stock held and approximately 1.5 shares of class A stock for each 381,273 class A share held as of Aug. 19. (The right to subscribe with respect to 133,850 outstanding class A shares has been waived. The offer to common stockholders will expire on Aug. 26, and to class A stockholders on Sept. 2. Price — $10 per share. Proceeds — For expansion and working capital. Underwriter—None.

Hussmann Refrigerator Co., St. Louis, Mo.
June 27 filed 21,584 shares of common stock (par $5 being offered in exchange for the issued and outstanding shares of common stock (par $5) of Duro-Consolidated, Inc., and for the shares of Duro common which may be issued upon conversion of Duro's $200,000 subordinated convertible debentures, series of 1956. Offer expires on Aug. 25.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—To develop and operate graphite and mica properties in Alabama. Underwriters—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis.

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). Price—To be related to the market price. Proceeds—For working capital and to enlarge research and development department. Underwriter — S. D. Fuller & Co., New York. Offering—Being held in abeyance.

Insured Accounts Fund, Inc., Boston, Mass.
May 12 filed 5,000 shares of common stock. Price—$5,000 per share. Proceeds—For investment. Business—To invest primarily in share accounts insured by the Federal Savings and Loan Insurance Corp., in savings and loan associations throughout the country. Underwriter—None. Ben H. Hazen is President.

International Opportunity Life Insurance Co.
June 2 filed 5,000,000 shares of common stock (par $1). Price—$5 per share. Proceeds—For working capital and other corporate purposes. Office—Denver, Colo. Underwriter—Columbine Securities Corp., Denver, Colo.

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Investors Realty Mortgage & Financial Corp.
July 24 filed $250,000 of investors income certificates (6% 10-year maturities) and 125,000 shares of class A common stock. **Price**—The certificates will be offered in various denominations at 100% per certificate, and the class A common stock at $2 per share. **Proceeds**—For the purpose of owning, buying and selling, and otherwise dealing in real estate, or matters pertaining to real estate and the improvement thereof, in the areas in which the company will operate. **Office**—Aiken, S. C. **Underwriter**—None.

Jacksonville Capri Associates Ltd., Jacksonville, Fla.
July 23 filed $325,000 of limited partnership interests. **Price**—$5,000 per unit. **Proceeds**—For the purpose of acquiring and operating the Capri Motel in Jacksonville, Fla. **Underwriter**—None.

Kalvar Corp., New Orleans, La.
July 28 (letter of notification) 15,000 shares of common stock (par two cents) to be offered for subscription by common stockholders of record Aug. 15, 1958 on the basis of one new share for each five shares held; rights to expire on Aug. 25, 1958. **Price**—$20 per share. **Proceeds**—To retire bank loans, to invest in fixed assets and for working capital. **Office**—909 South Broad St., New Orleans 25, La. **Underwriter**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

● **Keystone Custodian Funds, Inc.**
Aug. 7 filed (by amendment) 1,250,000 shares of Keystone tax Exempt Bond Fund. **Price** — $20 per share. **Proceeds** — For investment. **Underwriter** — Lehman Brothers, New York. **Offering**—Temporarily postponed, pending passing of necessary legislation.

Laclede Gas Co.
June 18 filed $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To refund 4⅞% first mortgage bonds due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on July 8, but offering has been postponed indefinitely.

Leader-Cleveland Realty Associates, N. Y.
July 16 filed $1,280,000 of participations in partnership interests. **Price**—$10,000 per participation. **Proceeds**—To purchase the Leader Building in Cleveland, Ohio. **Underwriter**—None.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

Longren Aircraft Co., Inc.
June 18 (letter of notification) 34,000 shares of common stock (par $1). **Price**—From 80 cents to $1.40 per share. **Proceeds**—To go to selling stockholders. **Office**—24751 Crenshaw Blvd., Torrance, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

Lord Elgin Hotel Corp., N. Y. C.
July 29 filed $1,655,000 limited partnership interests in this company. **Price**—$5,000 per unit. **Proceeds**—To purchase hotel. **Underwriter**—Tenney Associates, Inc., New York.

Magna Investment & Development Corp.
May 26 filed 56,000 shares of common stock and $500,000 of 6% convertible debentures. **Price**—For debentures, at par (in $1,000 units); and for common stock, $4.50 per share. **Proceeds**—For contractual obligations, for working capital, and other general corporate purposes. **Business** — To engage primarily in the development and operation of various properties, including shopping centers. **Office**—Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—Expected in latter part of August or early in September.

Mairs & Power Fund, Inc., St. Paul, Minn.
Aug 6 filed 40,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—1002 First National Bank Bldg., St. Paul, Minn.

Martin Co., Baltimore, Md.
June 11 filed $25,000,000 of sinking fund debentures, due July 1, 1978. **Proceeds** — Working capital and general corporate purposes. **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., N. Y. **Offering**, which was expected on July 2, has been postponed. Issue to remain in registration.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

Mid-West Durex Co., Kansas City, Mo.
July 14 filed 725,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of plant and for working capital. **Underwriter**—Investment Sales, Inc., 532 E. Alameda Ave., Denver 9, Colo.

Milgo Electronic Corp.
Aug. 6 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by present stockholders on the basis of one share for each 8.8 shares owned of record date. Rights expire in September. **Price**—$24 per share to stockholders; $26 to general public. **Proceeds**—For test equipment and working capital. **Office**—7601 N. W. 37th Avenue, Miami, Fla. **Underwriter**—None.

★ **Mississippi River Fuel Corp.**
Aug. 15 filed 337,052 shares of common stock (par $10) to be offered pursuant to the company's Restricted Stock Option Plan to certain officers and key employees of the company and its subsidiaries.

Montana Power Co. (8/26)
July 1 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—To be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y.

Montana Power Co.
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Manager-Dealers**—Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc.

Mortgages, Inc.
July 28 (letter of notification) 296,750 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—To be invested in notes secured by first and second liens upon properties to be selected by the management of the company. **Office**—223A Independence Building, Colorado Springs, Colo. **Underwriter**—Copley & Co., Colorado Springs, Colo.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18, 1957 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

Motion Picture Investors Inc.
July 11 filed 200,000 shares of common stock (par $1). **Price**—$10.75 per share. **Proceeds**—For investment. **Office**—1000 Power & Light Bldg., Kansas City, Mo. **Underwriter**—None.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

National Beryl & Mining Corp., Estes Park, Colo.
May 16 (letter of notification) 2,916,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Birkenmayer & Co., Denver, Colo.

National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—To train and procure persons to implement and carry out the projected plan of development and operation. **Office**—1406 Pearl St., Boulder, Colo. **Underwriter**—Western Securities Co., Boulder, Colo.

National Gypsum Co.
June 25 filed 298,000 shares of common stock to be offered in exchange for all but not less than 90% of the outstanding shares of common stock of American Encaustic Tiling Co. Inc., in the ratio of one share of National Gypsum common for each 2-4/10ths of American Encaustic common. National Gypsum shall have the right, at its election, to accept less than 90% but in no event less than 81% of the American Encaustic common. Statement effective July 17.

★ **National Steel Corp.**
Aug. 15 filed 93,000 shares of capital stock (par $10) to be offered pursuant to the company's Stock Investment Plan for Salaried Employees to eligible employees of the company and its subsidiaries.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

● **New England Telephone & Telegraph Co.**
July 31 filed $40,000,000 of 34-year debentures due Sept. 1, 1992. **Proceeds** — To refund a like amount of 4½% first mortgage bonds, series B, due May 1, 1961, which are intended to be redeemed on Nov. 1, 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids**—Were to have been received at Room 2315, 195 Broadway, New York, N. Y., up to 11 a.m. (EDT) on Aug. 26, but company on Aug. 20 decided to postpone refunding program.

North Carolina Natural Gas Corp. (9/4)
July 31 filed $5,200,000 of subordinated income debentures due Aug. 15, 1983, and 520,000 shares of common stock (par $2.50) to be offered in units of $20 of debentures and two shares of stock. **Price**—To be supplied by amendment (a maximum of $33 per unit). **Proceeds** — Together with funds from private placement of $13,750,000 of 5⅝% first mortgage pipeline bonds due June 1, 1979, to be used for construction program and working capital. **Office**—Fayetteville, N. C. **Underwriter**—Kidder, Peabody & Co., New York.

North Carolina Telephone Co.
June 19 (letter of notification) 207,143 shares of common stock to be offered to common stockholders at the ratio of one share for each six shares held. **Price**—At par ($1 per share). **Proceeds**—To pay off obligations and for telephone plant construction. **Underwriter**—None.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

Oil Inc., Salt Lake City, Utah
April 4 filed 597,640 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 24, 1958 at the rate of 1¼ new shares for each share then held. Employees may purchase 50,000 shares of unsubscribed stock. **Price**—To stockholders, $1.75 per share; and to public, $2 per share. **Proceeds**—For mining, development and exploration costs, and for working capital and other corporate purposes. **Underwriters**—Harrison S. Brothers & Co., and Whitney & Co., both of Salt Lake City, Utah.

Oil & Mineral Operations, Inc., Tulsa, Okla.
April 14 filed 200,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For payment of loans, various—To acquire and operate mining claims and oil and gas equipment, and a reserve for future operations. **Business** properties. **Underwriter**—Universal Securities Co., Enterprise Building, Tulsa, Okla.

● **One-Hour Valet, Inc., Miami, Fla. (8/27)**
July 29 filed 102,566 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. C.

★ **Pacific Automation Products Inc., Glendale, Calif. (9/15)**
Aug. 19 filed 125,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for working capital. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Paradox Production Corp., Salt Lake City, Utah
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah. Statement effective June 5.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Peerless Weighing & Vending Machine Corp.
June 27 (letter of notification) a maximum of 25,000 shares of common stock (par $1) to be offered to minority stockholders on the basis of one new share for each four shares held. Any unsubscribed shares will be purchased by Rock-Ola Mfg. Corp. Warrants expire 20 days from date of issuance. **Price**—$4.25 per share. **Proceeds**—For working capital. **Office**—800 N. Kedzie Ave., Chicago 51, Ill. **Underwriter**—None.

Pennsylvania Power Co. (8/27)
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively expected to be received up to 11 a.m. (EDT) on Aug. 27.

★ **Phoenix Carousel Theatre**
Aug. 11 (letter of notification) $190,000 of 10-year 6% debentures (in multiples of $200) plus 950 shares of common stock (par $100) to be offered in units of one debenture and one share of common. **Price**—$300 per unit. **Proceeds** — To build a theatre and to produce Broadway musical shows. **Address**—P. O. Box 10245, Phoenix, Ariz. **Underwriter**—None.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

Ponce de Leon Trotting Association, Inc.
Aug. 7 filed 400,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To pay current liabilities, for new construction and working capital. **Office**—Bayard, Fla. **Underwriter**—Robert L. Ferman Co., Inc., Miami, Fla.

Potomac Plastic Co.
March 31 (letter of notification) $57,500 of 6% subordinated convertible debentures and 57,500 shares of class A common stock (par one cent) to be offered in units of 500 shares of stock and $500 of debentures. **Price**—$1,000 per unit. **Proceeds** — For equipment and working capital. **Office**—1550 Rockville Pike, Rockville, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

● **Prairie Fibreboard Ltd.**
Aug. 18 filed 209,993 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to

residents of the United States "only in the State of North Dakota." **Price** — $3 per share. **Proceeds** — For construction purpose. **Office** —Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., and United Securities, Ltd., both of Saskatoon, Canada.

Private Enterprise, Inc., Wichita, Kansas
May 5 filed 125,000 shares of common stock. **Price**—$10 per share. **Proceeds** — To be used to organize, or reorganize and then operate companies in foreign nations, principally, but not exclusively, in the Far East, Near East and Africa. **Underwriter**—None.

★ **Provident Security Life Insurance Co., Phoenix, Ariz.**
Aug. 12 (letter of notification) 93,259 shares of common capital stock (par $1). **Price**—$2 per share. **Proceeds**—For expenses incidental to operation of an insurance company. **Underwriter**—None.

Rapid-American Corp., New York
June 19 filed $1,504,000 of 7% sinking fund debentures, due Nov. 15, 1967, together with 105,000 shares of common stock (par $1). **Proceeds**—The debentures are already outstanding having been issued in payment of 47,000 shares of common stock of Butler Brothers which were acquired by Rapid American from 19 persons, including three directors of the corporation. The debentures are being registered against the possibility that they may be sold by present owners. Of the 105,000 common shares, 75,000 are issuable under the company's Restricted Stock Option Plan for officers and key employees, and 30,000 under the Employees' Stock Purchase Plan. **Underwriter**—None.

● **Rassco Financial Corp. (9/15-19)**
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

Riddle Airlines, Inc., Miami, Fla.
May 15 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—James H. Price & Co., Inc., of Coral Gables, Fla., for 250,000 shares; balance on "best efforts" basis.

Robosonic National Industries Corp., N. Y.
June 12 filed 500,000 shares of common stock, class B. **Price**—$3 per share. **Proceeds**—To manufacture on a contract basis an automatic telephone answering instrument; the enlargement of the research and development facilities of the company; patent and patent applications; public relations, and for working capital. **Underwriter**—None.

Rocky Mountain Quarter Racing Association
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

St. Regis Paper Co., New York
July 8 filed 118,746 shares of common stock (par $5) being offered in exchange for outstanding shares of capital stock of Growers Container Corp., Salinas, Calif., on the basis of one St. Regis share for 18 shares of stock of Growers Container. The offer expires on Aug. 30. **Underwriter**—None.

San Diego Imperial Corp., San Diego, Calif.
June 2 filed 70,000 shares of 5½% cumulative convertible preferred stock. **Price** — At par ($10 per share) **Proceeds**—To retire $550,000 of promissory notes. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—Postponed indefinitely.

★ **Sears Roebuck & Co.**
Aug. 20 filed $350,000,000 of sinking fund debentures due 1983. **Proceeds**—To add $50,000,000 to the capital of All State Insurance Co., its subsidiary; to retire bank loans or for working capital for expansion. **Underwriters**—Goldman, Sachs & Co., Halsey, Stuart & Co. Inc. and Lehman Brothers, all of New York. **Offering**—Expected in September.

★ **Simplicity Pattern Co. Inc., N. Y.**
Aug. 15 filed 42,500 shares of common stock (par $1). **Price**—At the market or at a price within a range not less than the bid price and not higher than the asking price quoted on the New York Stock Exchange at the time of offering. The shares will also be offered from time to time on such Exchange at a price within the foregoing range. **Proceeds**—To go to Joseph M. Shapiro, the selling stockholder. **Underwriter**—None.

South Carolina Electric & Gas Co. (9/10)
Aug. 12 filed $10,000,000 first and refunding mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; The First Boston Corp., and Lehman Brothers (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 10.

★ **Southeastern Fidelity Fire Insurance Co.**
Aug. 12 (letter of notification) 8,981 shares of common stock (par $10), of which 2,000 shares are to be offered to stockholders (rights to expire on Sept. 1), and 6,981 shares to the public (plus any unsubscribed shares). **Price**—To stockholders, $20 per share; to the public, $26 per share. **Proceeds**—To expand the operations of the company and to meet the statutory requirements to enter other States and eventually to add other lines of insurance. **Office**—197 Auburn Ave., N. E., Atlanta, Ga. **Underwriter**—None.

Southern California Edison Co. (8/25)
Aug. 4 filed $50,000,000 of first and refunding mortgage bonds, series K, due 1983. **Proceeds** — To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; First Boston Corp., and Dean Witter & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received up to 9 a.m. (PDT) on Aug. 25 at company office.

Standard Oil Co. of California
June 4 filed $150,000,000 of sinking fund debentures due July 1, 1983. **Price**—To be supplied by amendment. **Proceeds**—To refinance a bank obligation of $50,000,000 due this year to provide additional capital for the company's overall program. **Underwriters**—Blyth & Co., Inc., and Dean Witter & Co., both of San Francisco, Calif., and New York, N. Y. **Offering**—Postponed from June 25 by the company "due to market conditions." Issue to remain in registration.

● **Standard Oil Co. (New Jersey)**
July 31 filed 11,406,078 shares of capital stock (par $7) being offered in exchange for Humble Oil & Refining Co. capital stock at rate of five Standard Oil shares for each four Humble Oil shares. The offer is expected to remain open until Oct. 14, 1958. **Exchange Agent**—Morgan Stanley & Co., New York.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

★ **Stevens Markets Inc., Miami, Fla. (9/10-11)**
Aug. 14 filed 46,642 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Business**—Operates three large supermarkets. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C.

Strategic Minerals Corp. of America, Dallas, Tex
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $2 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

Strouse, Inc.
July 29 (letter of notification) 26,850 shares of common stock (par 10 cents) to be issued upon exercise of warrants. **Price**—$1 per share. **Office**—Main & Astor Sts., Norristown, Pa. **Underwriter**—H. A. Riecke & Co., Inc., Philadelphia, Pa.

★ **Suburban Gas Service Inc., Upland, Calif. (9/16)**
Aug. 18 filed 100,000 shares of common stock (par $1), of which 50,000 shares are to be offered by the company and 50,000 shares by selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, for retirement of bank loan and of obligations incurred in connection with minor acquisitions and for the purchase of fixed assets of Redi-Gas Co.; the balance, if any, will be added to working capital to be available for general corporate purposes. **Underwriter**—Kidder, Peabody & Co., New York.

● **Sugarbush Valley Corp., Warren, Vt.**
June 25 filed $392,800 of 20-year 6% subordinate income debentures due May 1, 1978, and 12,766 shares of common stock (par $1) to be offered in units consisting of $800 principal amount of debentures and 26 shares of stock. **Price**—$1,200 per unit. **Proceeds**—For payment of short-term bank loan and working capital. **Business** — To operate recreation area. **Underwriter** — None. Statement effective Aug. 8.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20, 1957 filed 40,000 shares of common stock (public offering of 500,000 shares now planned). **Price**—$25 per share. **Proceeds**—For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Texas Calgary Co., Abilene, Texas
April 30 filed 2,000,000 shares of capital stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Thomson Kernaghan & Co., Ltd., Toronto, Canada. To be offered in Canada only.

Thomas Paint Products Co.
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga. **Underwriter**—None.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

Trans-America Uranium Mining Corp.
Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo. Ia., is President.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

★ **Treasure Hunters, Inc., Washington, D. C.**
Aug. 14 filed 1,946,499 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For research program, exploration, and it is hoped, recovery of buried and sunken treasure and exploitation of lost mines and other mineral deposits. **Underwriter**—None.

★ **Tricon, Inc.**
Aug. 8 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To pay expenses and cost of plant option; for first year's payment on instalment purchase contract for land and improvements; for construction of plant, tools and equipment; advertising and working capital. **Office** — 540 Steamboat Rd., Greenwich, Conn. **Underwriter**—Sano & Co., New York, N. Y.

Triton Corp., Newark, N. J.
Aug. 1 filed $1,600,000 of 5% debentures due 1973, 4,000 shares of 6% preferred stock (par $100) and 48,000 shares of common stock (par $1) to be offered in units of $8,000 of debentures, 20 shares of preferred stock and 240 shares of common stock. **Price**—$10,240 per unit. **Proceeds**—To acquire, own and operate interests in producing oil and gas properties. **Underwriter**—None. **Office**—11 Commerce Street, Newark, N. J. Timothy H. Dunn is President.

★ **Tungsten Mountain Mining Co.**
Aug. 11 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To extinguish present indebtedness, increase reserve for contingencies and working capital. **Office**—511 Securities Bldg., Seattle 1, Wash. **Underwriter**—H. P. Pratt & Co., 807 Hoge Bldg., Seattle 4, Wash.

Twentieth Century Investors, Inc., Kansas City, Mo.
June 20 filed 2,000,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

Twentieth Century Investors Plan, Kansas City, Mo.
June 20 filed $10,000,000 of plans for the accumulation of shares of Twentieth Century Investors, Inc. **Price**—At market. **Proceeds** — For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

United Asbestos Corp., Ltd., Montreal, Canada
July 29 filed 225,000 shares of capital stock (par $1) to be issued upon exercise of options exercisable at $4 per share. **Proceeds**—To pay outstanding liabilities, to increase working capital and for general corporate purposes. **Underwriter**—None.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

★ **U. S. Land Development Corp., Fort Lauderdale, Fla.**
Aug. 15 filed 1,200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To be added to the company's general funds and used to develop Pineda Island near Mobile, Ala. **Underwriter**—Palm Beach Investment Co., Inc., Palm Beach, Fla.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work **Office** — Houston Texas. **Underwriter** — None. Statement effective June 23.

United States Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

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● Universal-Cyclops Steel Corp.
Aug. 5 filed $22,500,000 of sinking fund debentures due Sept. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay $10,300,000 of bank loans and for construction program. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill., and New York, N. Y. **Offering** — Temporarily deferred due to present market conditions.

Universal Oil Recovery Corp., Chicago, Ill.
June 4 filed 37,500 shares of class A common stock. **Price** —$4 per share. **Proceeds**—For exploration and development of properties, and the balance for other corporate purposes. **Underwriter**—None.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds** —For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Utah Power & Light Co. (9/9)
June 26 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly). **Bids**—Expected to be received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9.

★ Washington General Insurance Corp.
Aug. 15 (letter of notification) 3,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For working capital and general corporate purposes. **Office** —111 John St., New York 38, N. Y. **Underwriter**—None.

★ Washington Natural Gas Co. (9/10)
Aug. 18 filed 100,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans incurred for construction purposes. **Underwriter**—Dean Witter & Co., San Francisco and New York.

★ Western Associated Mining News Inc.
Aug. 11 (letter of notification) 18,354 shares of common stock (no par). **Price**—$1 per share. **Proceeds**— To repay loan, for business expansion, working capital, etc. **Office**—2230 Commercial St., N. E., Salem, Ore. **Underwriter**—None.

Western Carolina Telephone Co., Weaverville, N. Car.
June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. **Price**—At par ($5 per share). **Proceeds**—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **Underwriter**—None

★ Western Development Co. of Delaware (9/11)
Aug. 15 filed $3,500,000 of convertible debentures due 1970. **Price**—To be supplied by amendment. **Proceeds**— To refund all existing term and current debt of the company, and the balance will be added to the general funds of the company and will be made available for the development of its present properties and the acquisition and development of additional oil and gas properties. **Underwriter**—W. C. Langley & Co., New York.

★ Western Heritage Life Insurance Co.
Aug. 8 (letter of notification) 150,000 shares of common capital stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For expense incidental to operating an insurance company. **Office**—533 East McDowell Rd., Phoenix, Ariz. **Underwriter**—First American Investment Corp.

Western Industrial Shares, Inc., Denver, Colo.
July 16 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—For investment. **Underwriter** — Andersen, Randolph & Co., Inc., 65 So Main St., Salt Lake City, Utah.

Western Pacific Mining Co., Inc.
May 26 filed 564,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For capital expenditures and exploration costs. **Office**—Santa Paula, Calif. **Underwriter**—None.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital. **Underwriter**— None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

★ Wizard Boats of Tennessee, Inc., Dickson, Tenn.
Aug. 11 (letter of notification) 150,000 shares of common stock (par one cent) and 75,000 shares of common stock purchase warrants to be offered in units of one share of stock and one-half warrant due Aug. 31, 1962. **Price**—$2 per unit. **Proceeds**—For research and development of subsidiary, to repay open note, overhead, research, salaries, purchase of raw materials and supplies and for working capital, etc. **Underwriters**—Clark, Landstreet & Kirkpatrick, Inc. and W. N. Estes & Co., Inc., both of Nashville, Tenn.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

● American-South African Investment Co. Ltd.
Aug. 13 the SEC granted company permission to become registered as an investment company of the closed-end type, under the Investment Company Act and to make a public offering of at least $30,000,000 of stock in the U. S. **Business**—The trust, incorporated under the laws of the Union of Africa, has been organized to provide a medium for investment in the common shares of companies engaged in business in South Africa, with particular emphasis on those engaged in mining gold. The trust may also invest to a certain extent in gold bullion. **Underwriter**—Dillon, Read & Co. Inc., New York.

Austria (Republic of)
July 15 it was announced that the country contemplates the issuance and sale of $30,000,000 bonds. **Proceeds**—For electric power projects and other improvements. **Underwriter**—May be Kuhn, Loeb & Co., New York. **Offering**—Expected in October or early November.

Basic, Inc., Cleveland, O.
Aug. 2 it was announced stockholders on Aug. 28 will vote upon a refinancing program intended to replace present mortgage debt and preferred stock with a new note and two new issues of preferred stock, to provide about $3,325,000 of new money with which to complete plant improvements under way since early this year, retire bank loans that had been made to finance the improvements, and provide additional working capital. **Underwriter**—Hallgarten & Co., New York, handled last preferred stock financing.

California Electric Power Co.
July 14 it was announced company contemplates marketing between $5,000,000 and $7,000,000 securities in October, 1958. Neither the exact date of the offering nor the nature of the securities to be offered has been determined. Decision on these two points will probably not be reached until mid-August or early September. **Proceeds**—To repay bank loans.

Central Hadley Corp.
The shareholders of the company at a special meeting held on June 25, approved an amendment to the certificate of incorporation authorizing an issue of 200,000 shares of 5% cumulative convertible preferred stock (par $10). Convertible into common stock at the rate of $2.86 per share. **Proceeds**—To retire outstanding notes of a subsidiary in the amount of $768,000.

Central Louisiana Electric Co., Inc.
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock) aggregating approximately $5,000,000. Both issues may be placed privately.

Cincinnati & Suburban Bell Telephone Co. (10/21)
July 7 it was announced that the directors have authorized the sale of not exceeding $25,000,000 debentures having a maturity of not more than 35 years. **Proceeds** —To repay advances received from American Telephone & Telegraph Co. which owns 29% of the outstanding common stock of the company. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co. and Eastman Dillon Union Securities & Co. (jointly). **Bids**—Expected to be received on or about Oct. 21.

● Consumers Power Co. (9/23)
Aug. 19 it was announced that the company plans to issue and sell $35,000,000 of first mortgage bonds due 1988. **Proceeds** — For expansion and improvement of service facilities. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—To be received on Sept. 23.

● Consumers Power Co. (9/23)
Aug. 19 it was announced that the company plans to issue and sell 150,000 shares of preferred stock (no par). **Proceeds**—For expansion and improvement of service facilities. **Underwriter**—May be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Bids**— Expected to be received on Sept. 23.

★ Cosden Petroleum Co.
Aug. 18 it was reported that the stockholders are to vote Sept. 15 on approving a proposed offering of $10,000,000 20-year convertible subordinated debentures. **Underwriter**—Dillon, Read & Co., Inc., New York.

Equitable Gas Co.
July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters** —May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

Gas Service Co.
March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. **Proceeds**—For repayment of short-term notes and loans and for construction program. **Underwriter** — If determined by competitive bidding, probable bidders may be Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White, Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

General Public Utilities Corp.
April 7 stockholders approved a plan authorizing the directors in connection with an offering of common stock to stockholders, also to offer certain shares on the same terms to employees, including officers, of System companies. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

Grace Line Inc. (9/2-5)
Company plans to issue approximately $18,000,000 of government insured bonds secured by first preferred ship mortgages on the new "Santa Rosa" and "Santa Paula." The financing will comprise two issues of $9,000,000 each. **Underwriters**—Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White, Weld & Co.; and F. Eberstadt & Co., all of New York. **Offerings**—"Santa Rosa" offering expected early in September and "Santa Paula" offering later in year.

Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected in near future. **Underwriters**— May include: Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co.; Hemphill, Noyes & Co.; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Smith.

Gulf Interstate Co.
June 5 it was announced company (formerly known as Gulf Interstate Oil Co.) intends to obtain a minimum of $2,000,000 and a maximum of $5,000,000 via an offering of new shares of common stock to stockholders in August or September. **Proceeds** — For working capital.

★ Indiana & Michigan Electric Co. (11/6)
Aug. 18 it was reported that the company plans early registration of $20,000,000 first mortgage bonds due 1988. **Proceeds**—To retire bank loans used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidder: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 6.

★ Japan (Empire of)
Aug. 20 it was stated that an issue of between $30,000,000 and $50,000,000 of bonds may soon be publicly offered on the American market. **Proceeds**—For public works projects. **Underwriter**—Probably The First Boston Corp., New York.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp.

Kentucky Utilities Co.
June 16 company stated it will sell bonds and/or common stock in the last quarter of 1958. **Underwriters**— Blyth & Co., Inc. and J. J. B. Hilliard & Son.

Laboratory for Electronics, Inc.
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal

stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Montana-Dakota Utilities Co.
March 24 it was announced the company plans to issue and sell an undetermined amount of first mortgage bonds (about $10,000,000) in the latter part of this year or in early 1959. **Proceeds** — To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

Moore-McCormack Lines, Inc. (9/15-19)
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York.

Mountain State Tele. & Tele. Co. (9/30)
July 29 it was announced company plans to offer to its stockholders of record Sept. 26, 1958 the rigths to subscribe on or before Oct. 24, 1958 for 700,961 additional shares of capital stock on the basis of one new share for each five shares held. American Telephone & Telegraph Co., the parent, owns over 80% of the 3,504,809 outstanding shares. **Price** — At par ($100 per share). **Proceeds**—To repay temporary loans made to finance the company's expansion program. **Underwriter**—None.

National Fuel Gas Co. (10/1)
Aug. 4 it was reported company plans to issue and sell $25,000,000 of 25-year sinking fund debentures. **Proceeds**—To refund $15,000,000 outstanding 5½% sinking fund debentures and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Oct. 1.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

Northern Illinois Gas Co.
June 10 it was announced company will sell this September $20,000,000 mortgage bonds providing new gas supply from Northern Natural Gas Co. is approved by Federal Power Commission. In event this project has to be deferred, company will likely issue $10,000,000 bonds later in the year. Company's 5-year construction program calls for $90,000,000 outlay. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and/or preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Telephone & Telegraph Co.
July 31 it was reported company plans about $250,000,000 of financing late this year (part in bonds and balance in common stock). **Proceeds**—for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Panama (Republic of)
July 14 it was announced a public offering is expected of approximately $26,000,000 external bonds. **Proceeds**—To redeem certain outstanding debt and for Panama's feeder road program. **Underwriter**—Lehman Brothers, New York.

Peoples Gas Light & Coke Co.
Aug. 1 the directors approved a program for the offering of approximately $17,000,000 of additional capital stock to stockholders later this year. **Underwriter**—None.

Public Service Co. of Indiana, Inc. (9/17)
July 30 company applied to the Indiana P. S. Commission for authority to issue and sell 242,826 shares of new series of convertible preferred stock (par $100) to be offered for subscription by common stockholders on the basis of one new preferred share for each 20 common shares held as of Sept. 16, 1958; rights to expire on Oct. 6. **Proceeds**—To reduce bank loans. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

St. Joseph Light & Power Co.
April 15 it was announced that the company plans to market $6,500,000 in bonds or preferred stock "sometime this summer." The stockholders on May 21 voted on authorizing an increase in bonded indebtedness of $6,500,000, and an increase in preferred stock from 25,000 shares to 50,000 shares. **Proceeds** — For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

Sanborn Scientific Instrument Co. (Mass.)
Aug. 4 it was reported company plans to issue and sell 100,000 additional shares of common stock, of which it is intended to offer 17,000 shares in exchange for outstanding preferred stock. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Offering**—Expected in October, 1958.

Southern Colorado Power Co.
May 9 stockholders authorized an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber Jackson & Curtis.

Southwestern Bell Telephone Co. (9/30)
July 10 it was announced Missouri Public Service Commission authorized the company to issue $110,000,000 of 35-year debentures. **Proceeds** — To refund outstanding issue. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Standard Oil Co. (Indiana)
July 30 it was announced company has under consideration long-term financing through a public offering of approximately $200,000,000 of debentures. **Proceeds**—Probably for expansion, working capital and other corporate purposes. **Underwriter** — Morgan Stanley & Co., New York. **Offering**—Expected in the early Fall.

Thiokol Chemical Co.
Aug. 4, J. W. Crosby, President, announced company is planning to offer to its common stockholders some additional common stock (approximately 105,488 shares) at the rate of one new share for each 12 shares held, probably this fall. Long-term financing is also being considered. **Underwriter**—Kidder, Peabody & Co., New York.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

● **Universal Oil Products Co.**
Aug. 13 it was reported that an issue of common stock will soon be offered to the public, the proceeds of which may run between $50,000,000 and $60,000,000. Approval of the transaction rests with the New York State Supreme Court (expected within two months). **Proceeds**—To the Petroleum Research Fund of the American Chemical Society. **Underwriters**—Expected to be Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York. **Offering**—Expected in mid-autumn, probably late in October.

Venezuela (Government of)
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co

★ **Worcester Gas Light Co.**
Aug. 18 it was reported that the company plans the sale of $5,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Offering**—Expected this fall.

Forces Supplying Real Growth to the Economy

Federal Reserve Bank of Dallas enumerates the favorable factors in the near-term economic future. Cites inventory reduction and consumer credit liquidation as potential source of strength and notes rise in government spending, industrial production and agricultural recovery.

In painting a portrait of the postwar recession of the past 12 months, The Federal Reserve Bank of Dallas, Texas, in its August **Business Review**, points out "credit ease, as supplied by the Federal Reserve System during the past six months is a conditioning factor designed to promote an environment of recovery."

The monthly publication finds in its summary and prospects for the future that "the trough of the recession may have been reached during April or early May, since the economy moved in an irregular but slightly upward direction during late May, June, and early July. By midsummer, the key to the near-future course of the economy seemed to be the balance of several currently divergent trends.

"Some of the most important factors exerted both favorable and unfavorable influences. Continued inventory liquidation still constitutes a depressing force on industrial production, but with a number of industries completing their adjustments, such liquidation may mean more orders and renewed production in the near future. The worsening international situation cannot be accurately appraised yet in terms of its impact on general business conditions, but, clearly, the current Mideast crisis has considerable potential influence on the future trend of business."

Government Spending

"Another factor which has elements of both favorable and unfavorable effects is the rise in government defense spending. While initially this will serve to stimulate the economy, the prospective deficit resulting from the rise in spending will be a potent inflationary force. Increases in wages in many industries—particularly the boost in government pay scales—provide a significant upward thrust to personal income.

"Consumer credit developments have been the result of buyers' decisions to restrict their purchases of durable goods. Since early 1958, consumers have been reducing their outstanding indebtedness. Consumer credit declined $2.1 billion from December 1957 to April 1958, as repayments steadily exceeded extensions, especially in automobile instalment credit. This reduction in instalment credit probably contributed to the decline in sales of consumer durables but placed the consumer in a much better financial position insofar as this factor is concerned."

Industrial Production

"A distinctly favorable factor to the near-term economic future has been the recent moderate and rather broad improvement in industrial production. Every major industry showed some increase in output from May to June, led by substantial gains in mining and durable goods production. Steel, fabricated metals, and machinery industries showed real improvement for the second consecutive month. While part of this advance may have been based on temporary factors, such as increased steel production to meet the demand generated by prospective price increases, other improvements in output have been solidly based upon rising orders and the completion of inventory adjustments.

"Another force supplying real support toward recovery is the agricultural industry. With favorable prices and a near-record production year in prospect, cash farm income has increased sharply, and farmers are buying more new equipment. The strength of the agricultural situation has been one of the brightest spots in the economy thus far in 1958."

Wm. R. Staats & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Robert S. Viele has been added to the staff of William R. Staats & Co., 111 Sutter Street.

Dean Witter & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Jerry M. Miller has been added to the staff of Dean Witter & Co., 34 North First Street.

Now With McGhee Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John C. Davis is now with McGhee & Company, Inc., 2587 East Fifty-fifth Street.

Nation-Wide Pays Dividend & Capital Gains Distribution

The directors of Nation-Wide Securities Company, Inc., a balanced fund under Calvin Bullock management, has declared a fiscal year-end dividend from net investment income of 25 cents per share and a year-end distribution from net securities profits of 60 cents per share. Both are payable Sept. 27, 1958 to shareholders of record Sept. 5, 1958.

Total payments in the 1958 fiscal year amount to 73 cents per share from investment income and 60 cents per share from net securities profits.

Total net assets were $30,211,261 on July 31, 1958 as against $25,-619,347 on Dec. 31, 1957. Net asset value per share on July 31, 1958 was $19.60 as against $17.32 on Dec. 31, 1957.

Price Growth Fund Shs. Increase 13.7%

T. Rowe Price Growth Stock Fund, Inc., reported today that total assets increased to $11,909,-226 on June 30, 1958 from $9,436,-114 on Dec. 31, 1957. During the first six months of 1958, net asset value per share increased 13.7% from $27.67 to $31.45.

During this period 515 new stockholders subscribed to Fund shares. A dividend of 32 cents per share from ordinary net income was paid on June 26, 1958 to stockholders of record May 29, 1958. This represented the same amount as was paid in the corresponding period a year ago.

Mutual Funds

By ROBERT R. RICH

Mutual Fund July Sales Break All Records

Purchases by investors of open-end investment company (mutual fund) shares reached a record monthly figure of $160,-675,000 in July, the National Association of Investment Companies announced in reporting for its 146 open-end investment company members.

Monthly purchases by investors have exceeded $100 million, with one exception—February, 1958, when they came to $96 million—for the last 32 months, the Association said.

Total net assets also reached a new high of $11,121,627,000 at the end of July, according to the Association. At the close of the previous month, they came to $10,609,839,000 and, as of July 31, 1957, they were $9,316,489,000.

Shares turned in for redemption during July were valued at $41,493,000. In June, redemptions totaled $39,981,000. In July a year ago, they came to $37,298,000.

The number of new accumulation plans opened for the periodic purchase of mutual fund shares rose to 19,618 in July. New plans started in June totaled 19,489; in July a year ago, the figure was 19,544.

Cash, U. S. Government securities and short-term corporate obligations held by the 146 open-end member companies of the Association totaled $715,165,000 at the end of July. This compares with $767,443,000 at the close of the previous month and $553,943,-000 at the end of July, 1957.

Plastic Sales of $2 Billion Yearly May Be Achieved

The use of plastics in the building industry could quadruple in the next decade providing an annual sales volume of over $2 billion, according to National Securities & Research Corporation. The investment company, which sponsors and manages the National Securities Series of mutual funds with assets exceeding $350 million makes the estimate in the August issue of "Atomic Activities."

Nylon, polyethylene and vinyl are now familiar materials to housewives who see them every day in furnishings and appliances throughout their homes. "Atomic Activities" points out that acrylics, polyesters and many more of the prolific plastics family are also achieving widespread acceptance for household use and conceivably some houses of the future may be made entirely of plastic.

Monsanto Chemical Company has already built an experimental, all plastic "House of the Future" to demonstrate its inherent construction advantages. Such homes could be stronger, lighter, more durable, easier to clean and more colorful and perhaps cheaper than homes made of conventional materials. "If necessity demanded a move to a new locality," Robert Colton of National writes, "the all plastic house could be hoisted from its old foundation, trucked in sections to its new site and assembled on a new foundation, ready for occupancy in a matter of hours."

Plastics already have pushed ahead the many traditional materials and now only steel, lumber and glass enjoy greater utilization in the building trades industry. "Built-in" uses include paints and surface coatings, floor coverings, moisture barriers, piping, lighting fixtures, structural panels and wiring devices among many others.

Thousands of applications of plastics are being made in appliances, containers, furniture and other household goods. Furniture drawers made of phenolics never warp or stick and can be cleaned under tap water. Polyethylene is popular for containers, bowls, buckets and garbage cans. Polystyrene with freedom from taste, odor and toxicity makes it ideal for food utensils and containers. In a special heat-resistant form, it is used for cases or clocks and radios, TV lenses and appliance panels and handles.

Sales of plastics make significant contributions to most of the major chemical companies and many firms in the rubber, petroleum and related industries have also become important producers of plastic materials.

Pennroad Corp. Analyzed by Ira Haupt & Co.

A special report by Ira Haupt & Co., investment bankers, points out that Pennroad Corporation has outperformed other closed-end investment companies and comparable mutual funds in period of both rising and declining stock markets. Yet its shares are selling at a relatively high discount below the net asset value of portfolio investments.

According to the report, the shares are undervalued because investors still mistakenly associate Pennroad with the Pennsylvania Railroad. Additionally, in recent years Pennroad has come under selling pressure from wealthy investors who formerly held it for tax reasons.

During the bull market era from January 1952 to Septmber 1957, the Ira Haupt study reports, the net asset value of Pennroad's holdings, assuming reinvestment of all dividends, rose 111%; the eight other leading closed-end companies on the same basis showed rises as low as 84% and averaging 95%.

In the sharp stock market break during the last quarter of 1957, Pennroad's asset value fell 3.5% against an average decline of 5.5%.

Delaware's Share Value Gains 18%

Net assets of Delaware Fund rose 23.86% in the first half of 1958 to reach an all-time high of $55,-991,357 on June 30, last, against $45,205,410 at the start of the year, the fund's semi-annual report shows.

Asset value per share at mid-year amounted to $10.14 as compared with $8.68 six months previously — an 18% gain after adding back capital gains distributions of 10½ cents a share.

The number of shareholders and shares outstanding also rose to record levels in the period. On June 30th, 5,519,626 Delaware Fund shares were owned by 19,730 individuals and institutions as compared with 5,210,563 outstanding shares and 18,717 shareholders on Dec. 31, 1957.

Common stocks accounted for 88.10% of Delaware's total net assets at the close of the first half; 2.08% was invested in preferreds; 5.28% in industrial bonds; 1.98% in short-term Governments; and 2.56% was held in cash. Most of the preferreds and industrial bonds are convertible into common stock.

Assets of the fund were spread over 147 securities on June 30. Electric utilities headed the list of Delaware's 10 largest industry holdings on that date and accounted for 13.17% of the fund's total resources. The other major industry investments included: oil, 12.07%; electronics and electrical equipment, 6.72%; building, 6.42%; steel, 6.21%; machinery, 5.64%; chemicals, 4.11%; drug, 4.07%; natural gas utility, 3.87%; and container, 3.51%.

In a summary of Delaware's recent investment course, shareholders were told that toward the close of 1957 the fund decided to go ahead with its buying program. In anticipation of a rally sometime this year, it continued to invest cash withdrawn from the market earlier, together with proceeds from the sale of new Delaware Fund shares, in what were considered attractively-priced quality issues offering reasonable returns and justification for investment at the time.

"While our portfolio on Dec. 31 reflected the depressed prices of stocks affected by year-end tax tax selling, these issues," the report noted, "gained ground shortly after the first of the year and our total net assets figure showing a corresponding rise."

The fund liquidated or reduced positions in companies whose market prices had risen faster than near-term earnings and dividend prospects seemed to warrant and replaced them with stocks of companies more favorably situated.

Prudent investing, it was observed in the report, still seems to warrant a large proportion of equities in view of present international developments and their inflationary implications—a feeling shared by a growing number of investors whose enthusiasm, confidence and seemingly limitless investment dollars have strengthened the market. The effect their presence and their demand for all types of securities, especially commons, has on stock prices must be carefully weighed in evaluating future investment opportunities, the report cautioned.

But, it continued, as long as Delaware Fund can find common stocks which are productive workers well worth the price paid for them, they shall continue to comprise the bulk of the fund's holdings, since they seem to offer the best available protection against declining purchasing power and an excellent opportunity to participate in the future of American enterprise.

The report also noted that "developments in the Middle East may compress the time of our recuperation period and start the economy on its way up much more rapidly than we had anticipated a few weeks ago."

Selected American Total Net Assets Up Sharply

On Aug. 8, 1958, the total net assets of Selected American Shares exceeded $75,000,000, for the first time since inception of the Fund in 1933, according to Edward P. Rubin, President.

Total net assets of $75,314,398 and 8,640,561 shares outstanding on Aug. 8, compare with $59,-805,980 assets and 8,001,847 shares outstanding as of Dec. 31, 1957.

This growth in total assets came from expanded sale of the Fund's shares, as well as the rise in value of the portfolio holdings.

The per share net asset value was $8.71 on Aug. 8, contrasted with $7.47 at the year-end. In addition to this increase in asset value, a capital gain distribution of 26c per share was paid in January.

American Mutual's Net Assets at All-Time Plateau

Total net assets of American Mutual Fund reached a record high of $83,368,040 on July 31, 1958, it was stated by President Jonathan B. Lovelace in his report to the shareholders for the third quarter of fiscal 1958. This was an increase of $19,599,941, or 31% over the $63,768,099 total on Oct. 31, 1957. Net assets per share increased to $7.98 on July 31, from $7.15 nine months earlier. This represented a gain of 14% after adjusting for capital gains distributions of 16 cents per share. Total shares outstanding rose to 10,442,187 from 8,921,330 during the period.

Net income, excluding realized gain on sales of securities, for the nine-months period ended July 31 was $1,734,203, equal to approximately 18 cents per share on the average number of shares (9,608,-585) outstanding during the period. This compares with net investment income, similarly com-

puted of $1,500,032 or approximately 19.4 cents per share on the lesser number of shares outstanding in the corresponding period a year earlier.

Net realized gain on sales of securities in the nine-months period just ending was $2,576,419, compared with $4,061,571 in the like period ended July 31, 1957.

New names of common stocks appearing in the portfolio during the third quarter included Borden, Brunswick-Balke-Collender, Coca-Cola, Colgate-Palmolive, Pfizer, and United Fruit. Common stock issues entirely eliminated from the portfolio in the third quarter include Bethlehem Steel, General Telephone, Kroger, Lily-Tulip Cup, Republic Steel, and Westinghouse.

Wellington Adds Tax Expert

The Wellington Company has made a staff addition to assist in dealer services resulting from increasing activity in Estate Planning and Institutional Sales.

The latest staff addition is Donald P. Viggiano, who until recently was a review attorney in the Estate and Gift Tax Division of the Internal Revenue Service.

Mr. Viggiano, a graduate of the University of Pennsylvania Law School, is a member of the Pennsylvania and Federal Bars. He is assisting Lew Kearns in the preparation of reports, servicing dealer inquiries, working with clients' attorneys, and participating in interviews of clients brought to the Wellington home office by securities dealers.

Stires, Shelley Re-elected Head Of Canada Group

Hardwick Stires of New York, President of Scudder Fund of Canada Ltd.; and William F. Shelley, Boston, Vice-President of Canada General Fund, Ltd.; have been reelected Chairman and co-Chairman, respectively, of the Committee of Canadian Investment Companies, it was announced.

S. L. Sholley, Boston, President of the Keystone Fund of Canada, Ltd.; Armand G. Erpf, New York, President of New York Capital Fund of Canada, Ltd.; and Chauncey L. Waddell, President of United Funds Canada, Ltd.; were elected Vice-Chairmen, the Committee announced.

The Committee serves as a central information source for registered Canadian investment companies of the mutual fund type, whose shares are qualified for sale to U. S. investors. As of June 30, the eight registered Canadian investment companies had total net assets of $340,074,709 managed for long-term investment in behalf of their more than 127,681 U. S. shareholders.

While these assets consisted principally of investments in securities of Canadian corporations reflecting Canada's long-range economic growth, the Canadian companies also invest in securities of companies operating in 25 Free World countries. The registered Canadian investment companies continuously re-invest their investment income and realized capital gains at low tax cost.

Fund Stresses Electronics and Building Equities

Investments in the electronics, radio and television field represented 12.6% of July 15th total net assets of General Industries Shares, largest of Managed Funds, Inc.'s 11 mutual fund classes, it was reported.

G. I. Shares' contribution to the fund group's total net assets of $59.5 million amounted to $21.6 million.

The class's second largest holding was in the securities of the building and construction industry—about 10% of net assets. The chemicals field represented 9.8% of the total, followed by the steel and metals industry with 9.3%, and the paper and container industry with 9%. Cash amounted to about 1.2% of net assets.

The largest single holding in the G. I. portfolio was in shares of General Motors Corp.—totaling slightly under 4% of net assets. Other portfolio leaders were Westinghouse Electric (3.9%), American Telephone & Telegraph (3.8), Otis Elevator (3.5), American Can (3), and Socony Mobil Oil (2.9).

I. P. C. Sells 50,000th Fund Plan

Investors Planning Corporation of America completed the 50,000th sale of its exclusive mutual fund contractual plan to electronics engineer Forrest R. Dayton, 32, of Baldwin, L. I.

The plan was presented to Dayton at I. P. C.'s 60 East 42nd St. main headquarters in the office of Walter Benedick, president of the firm.

Final delivery of the plan was made by Mitchel Sesskin of 71 Merritt Ave., Massapequa, L. I., the I. P. C. representative who arranged the sale.

Dayton, who lives with his parents at 6 Ambrose Court in Baldwin, is associated with the Hazeltine Electronics Corp.

He made a one-year down payment on a $6,000 Systematic Investment Plan calling for monthly payments of $50.00. His net investment will be used to accumulate shares of Axe-Houghton, Fund B, an open-end mutual fund.

The I. P. C.-Axe plan was introduced in October, 1953, four months after the company was established, for exclusive distribution by Investors Planning Corp.

In addition to the 50,000 I. P. C.-Axe plans currently in force, the firm services over 10,000 other mutual fund accounts of all types.

Investment Study Traces History of Strange Gift

A bequest in the last will and testament of a New Jersey physician is the subject of a 33-year investment study by the sponsor company of Group Securities, Inc., $125,000,000 mutual fund.

The doctor's gift was to be an annual ice cream treat for all the school children of his community. The study traces the effects of two factors, inflation and increasing population, on the fulfillment of this "old promise" over the passing years. Pointing out that people who save toward their children's college tuition or a fruitful and happy retirement face a similar problem, the study suggests ways in which these "future promises" may better keep pace with the trend to higher costs.

Copies of the study are available to interested investors who write Distributors Group, Inc., 63 Wall Street, New York 5, N. Y.

Wisconsin Fund Assets Gain To $10.7 Million

Reflecting a general stock market recovery and also an increase in total shares outstanding, total net assets of Wisconsin Fund, Inc. climbed $1,624,196 between the end of 1957 and June 30, 1958, it is revealed in the semi-annual report.

Net assets were $12,380,423 at the end of June compared with $10,756,227 on Dec. 31, 1957. Net asset value per share was $5.14, equal to $5.23 after including the nine cents capital gains distribution paid Jan. 31, 1958. This compares with $4.53 at 1957's year end.

During the six months period, the mutual fund added $350,000 worth of U. S. treasury notes due Feb. 15, 1965, while reducing its ownership of drug stocks by 4,000 shares.

The Milwaukee managed and distributed fund held 80 different securities on June 30, including 7.9% of its total net assets in corporate bonds and 12.1% in U. S. government obligations.

The largest stock holdings by industries included: banks and finance, 11.1%; public utilities, 9.9%; drugs, 6.2%; oil and gas, 5.9% and foods and beverages, 5.9%. Stocks held in Wisconsin companies include Wisconsin Bankshares, Bucyrus-Erie, Kimberly-Clark, Wisconsin Electric Power Company and Wisconsin Public Service Corporation.

I. F. F. Total Assets Rise 47%; Shs. Increase 54%

Charles A. Fagan, Jr., Treasurer of Income Foundation Fund, announced that total net assets increased to $6,845,575 during the seven months ended July 31, 1958, a rise of 39%. During the 12 months ended July 31, total net assets leaped 47%. Net asset value per share, with dividends and distributions reinvested, gained 13% in the first seven months of 1958.

The number of Fund shares outstanding at July 31 was 26% greater than at the close of 1957 and 54% greater than at July 31, 1957, Mr. Fagan reported.

Mr. Fagan noted that the Fund portfolio at July 31 last contained an unrealized appreciation of $588,978. This appreciation was $316,500 greater than the unrealized appreciation at the close of 1957. During 1958's first half the Fund Trustees reduced common stock holdings from 70% to 64%. At the same time, corporate bond holdings were raised from 20% to 30%.

United Corp. Reports Substantial Gain in Net Assets

The semi-annual report of The United Corp. shows that net asset value of the closed-end investment company rose sharply during the six months ended June 30.

Net assets on June 30 totaled $99,946,374 or $7.10 per share compared with $84,723,938 or $6.02 per share on Dec. 31, 1957, an increase of 18%.

The June 30, 1958 total also was higher than net assets of $96,697,299 or $6.87 per share on June 30, 1957. The June 30, 1958 total does not include the capital gains dividend of $1,407,214 paid in December, 1957.

The increase in net asset value in the first six months, amounting to $15,222,436 or $1.08 a share on United's 14,072,150 outstanding shares, "was due in large part to the market appreciation of United's domestic public utility stocks and of its investment in the common stock of Canadian International Power Co. Limited," according to Wm. M. Hickey, President of United. He said additional Canadian International Power common stock was purchased in the half year, increasing such holdings to 766,370 shares or 34% of the total outstanding.

The rise in security prices during the period covered by the report "presented a favorable opportunity to sell certain portfolio securities. As a result of such sales sufficient cash was raised to pay off the entire $8,000,000 bank loan" which had been incurred to finance in part the original investment in International Power shares in 1956.

Net investment income of United in the half year amounted to $1,637,912 or 11.6c a share while profit realized on sales of securities was $2,166,093 or 15.4c a share, a total of 27c a share. In the 1957 first half year net investment income was $1,693,322 or 12c a share and profit on sales of securities $2,021,134 or 14.4c a share, an aggregate of 26.4c per share.

New additions to the investment portfolio in the first six months of 1958 included shares of Providence Gas Co.; Royal Dutch Petroleum Co. and Wisconsin Power and Light Co. Increases in holdings included Baldwin Piano Co.; Canadian International Power Co. Ltd.; Goodyear Tire & Rubber Co.; Signal Oil and Gas Co., class A; Standard Oil Co. (Indiana); Standard Oil Co. (Ohio); and Texas Company.

United eliminated all of its holdings in the following companies: Allegheny Ludlum Steel Corp.; Amerada Petroleum Corp.; Bethlehem Steel Corp.; Iowa-Illinois Gas and Electric Co.; Northern Illinois Gas Co.; Texas Eastern Transmission Corp. 6.70% preferred stock; and United States Rubber Co. Reductions in holdings included: Atlantic Refining Co.; Columbia Gas System, Inc.; Community Public Service Co.; Eaton Manufacturing Co.; First National City Bank of New York; National Distillers and Chemical Corp.; New Amsterdam Casualty Co.; Niagara Mohawk Power Corp.; Ohio Oil Co.; Public Service Electric and Gas Co.; Union Bag-Camp Paper Corp.; United States Steel Corp.; West Penn Electric Co., and Youngstown Sheet and Tube Co. Also, all of the remaining Canadian International Power preferred stock were sold.

Abacus Fd. Reports Rise in Assets in Half-Year

The semi-annual report to shareholders of Abacus Fund showed that net asset value of the closed-end investment company increased 16% during the six months ended June 30, 1958.

Total net assets on June 30 were $32,397,960, or $37.86 per share, compared with $27,920,188, or $32.63 per share on Dec. 31, 1957.

William K. Jacobs, Jr., Abacus President, told stockholders that in the first half of 1958, net income from investments amounted to $434,143, or 50 cents per share on the 855,716 shares of stock outstanding on June 30. At that date, Mr. Jacobs added, unrealized appreciation of $2,762,496 was contrasted with unrealized depreciation of $1,304,173 at Dec. 31, 1957, an improvement of $4,066,669, or $4.75 per share. Losses realized on sales of investments during the six months period (based on average book cost), were $20,983, or two cents per share.

In addition to the net investment income of Abacus Fund, Eastern New York Power Corporation, a wholly-owned subsidiary at June 30, earned during the first half of the year, a net income of $42,579, equal to five cents per share, Mr. Jacobs reported. Directors of Abacus Fund, on July 10 this year, declared an extraordinary dividend of one share of stock of Eastern New York Power Corporation for each share of common stock of Abacus Fund issued and outstanding. The dividend is payable July 31, 1958 to Abacus stockholders of record July 22.

At the time of the dividend action, Mr. Jacobs announced that Eastern New York Power Corporation had not been engaged in the utility business for about five years; that the subsidiary's assets consisted entirely of cash and marketable securities; that its net book value per share was $3.74 on June 30, 1958, and that by this stock distribution Abacus Fund is completely divesting itself of ownership of Eastern New York Power Corporation.

It is planned that tax losses sufficient to offset "current earnings and profits" will be established during the year, Mr. Jacobs told stockholders in his report. Under such circumstances, in the opinion of the company's counsel, the ENYP distribution will constitute a reduction-of-tax-basis and not be taxable as a dividend, he added.

Formerly known as International Hydro-Electric System, Abacus Fund in June, 1957 became a closed-end, non-diversified investment company registered under the Investment Company Act of 1940. Abacus common stock was listed on the New York Stock Exchange on June 25, 1957 in place of the class A stock of International Hydro-Electric System.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Aug. 24	§62.2	*60.5	57.3	82.1
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 24	§1,678,000	*1,632,000	1,546,000	2,101,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 8	6,836,185	6,544,735	6,439,435	6,797,515
Crude runs to stills—daily average (bbls.)	Aug. 8	¶7,597,000	7,727,000	7,607,000	8,008,000
Gasoline output (bbls.)	Aug. 8	27,589,000	28,693,000	27,808,000	27,797,000
Kerosene output (bbls.)	Aug. 8	1,545,000	1,708,000	1,508,000	2,068,000
Distillate fuel oil output (bbls.)	Aug. 8	11,730,000	11,754,000	11,807,000	12,077,000
Residual fuel oil output (bbls.)	Aug. 8	6,641,000	7,101,000	6,944,000	7,548,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 8	177,297,000	178,715,000	182,169,000	172,973,000
Kerosene (bbls.) at	Aug. 8	26,306,000	25,914,000	25,040,000	32,554,000
Distillate fuel oil (bbls.) at	Aug. 8	124,838,000	120,417,000	109,507,000	141,999,000
Residual fuel oil (bbls.) at	Aug. 8	67,251,000	66,887,000	66,155,000	50,136,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 9	618,580	622,204	491,142	740,471
Revenue freight received from connections (no. of cars)	Aug. 9	521,832	505,622	404,208	603,181
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 14	$336,876,000	$513,960,000	$733,043,000	$411,917,000
Private construction	Aug. 14	152,018,000	212,555,000	419,293,000	229,798,000
Public construction	Aug. 14	184,858,000	301,405,000	313,750,000	182,119,000
State and municipal	Aug. 14	148,749,000	242,168,000	183,379,000	154,732,000
Federal	Aug. 14	36,109,000	59,237,000	130,371,000	27,387,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 9	7,890,000	*7,695,000	1,370,000	9,588,000
Pennsylvania anthracite (tons)	Aug. 9	411,000	428,000	76,000	509,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 9	119	114	116	118
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 16	12,851,000	12,707,000	12,257,000	12,409,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 14	262	290	279	222
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 12	6.158c	6.138c	5.967c	5,967c
Pig iron (per gross ton)	Aug. 12	$66.49	$66.49	$66.49	$66.40
Scrap steel (per gross ton)	Aug. 12	$41.83	$42.17	$37.50	$53.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 13	26.100c	26.100c	25.025c	28.075c
Export refinery at	Aug. 13	25.175c	25.475c	24.125c	25.900c
Lead (New York) at	Aug. 13	11.000c	11.000c	11.000c	14.000c
Lead (St. Louis) at	Aug. 13	10.800c	10.800c	10.800c	13.800c
‡Zinc (delivered) at	Aug. 13	10.500c	10.500c	10.500c	10.500c
Zinc (East St. Louis) at	Aug. 13	10.000c	10.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	Aug. 13	24.700c	24.700c	24.000c	26.000c
Straits tin (New York) at	Aug. 13	94.750c	95.750c	93.875c	94.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 19	90.92	91.46	93.13	86.73
Average corporate	Aug. 19	93.08	93.82	95.62	90.63
Aaa	Aug. 19	97.94	98.73	100.98	94.56
Aa	Aug. 19	96.07	96.54	98.57	93.08
A	Aug. 19	93.23	93.52	95.47	90.91
Baa	Aug. 19	85.98	86.78	88.27	84.55
Railroad Group	Aug. 19	89.64	90.20	91.34	88.81
Public Utilities Group	Aug. 19	93.23	93.97	96.69	91.34
Industrials Group	Aug. 19	96.69	97.31	99.04	91.91
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 19	3.31	3.26	3.10	3.65
Average corporate	Aug. 19	4.20	4.15	4.03	4.37
Aaa	Aug. 19	3.88	3.83	3.69	4.10
Aa	Aug. 19	4.00	3.97	3.84	4.20
A	Aug. 19	4.19	4.17	4.04	4.35
Baa	Aug. 19	4.71	4.65	4.54	4.82
Railroad Group	Aug. 19	4.44	4.40	4.32	4.50
Public Utilities Group	Aug. 19	4.19	4.14	3.96	4.32
Industrials Group	Aug. 19	3.96	3.92	3.81	4.28
MOODY'S COMMODITY INDEX	Aug. 19	395.8	402.3	400.2	421.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 9	298,376	339,845	191,439	272,100
Production (tons)	Aug. 9	288,874	299,148	133,774	279,462
Percentage of activity	Aug. 9	92	93	48	92
Unfilled orders (tons) at end of period	Aug. 9	471,682	465,523	447,215	504,138
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 15	109.30	109.81	110.25	110.36
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 26	2,425,130	2,178,690	1,748,010	1,160,960
Short sales	July 26	628,350	479,370	400,520	195,480
Other sales	July 26	1,838,600	1,773,920	1,296,400	1,035,280
Total sales	July 26	2,466,950	2,253,290	1,696,920	1,230,760
Other transactions initiated on the floor—					
Total purchases	July 26	653,740	408,420	481,540	221,320
Short sales	July 26	68,700	57,200	44,500	11,400
Other sales	July 26	526,810	387,350	414,510	224,630
Total sales	July 26	595,510	444,550	459,010	236,030
Other transactions initiated off the floor—					
Total purchases	July 26	818,340	626,610	586,250	366,560
Short sales	July 26	146,760	154,420	123,970	54,470
Other sales	July 26	757,269	677,041	567,660	383,896
Total sales	July 26	904,029	831,461	691,630	438,366
Total round-lot transactions for account of members—					
Total purchases	July 26	3,897,210	3,213,720	2,815,800	1,748,840
Short sales	July 26	843,810	690,990	568,990	261,350
Other sales	July 26	3,122,679	2,838,311	2,278,570	1,643,800
Total sales	July 26	3,966,489	3,529,301	2,847,560	1,905,156
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	July 26	1,478,058	1,298,033	1,078,923	1,204,429
Dollar value	July 26	$68,517,401	$62,830,596	$49,733,718	$60,824,132
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 26	1,521,088	1,366,950	1,082,638	943,451
Customers' short sales	July 26	19,974	15,196	7,679	4,355
Customers' other sales	July 26	1,501,114	1,351,754	1,074,959	939,096
Dollar value	July 16	$66,151,566	$63,089,444	$45,238,603	$46,955,483
Round-lot sales by dealers—					
Number of shares—Total sales	July 26	506,670	492,770	345,950	228,670
Short sales	July 26	------	------	------	------
Other sales	July 26	506,670	492,770	345,950	228,670
Round-lot purchases by dealers—					
Number of shares	July 26	489,470	413,290	378,400	461,950
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	July 26	1,203,580	936,610	789,380	333,210
Other sales	July 26	18,527,810	15,398,340	13,169,780	9,281,380
Total sales	July 26	19,731,390	16,334,950	13,959,160	9,614,590
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 12	119.0	*119.2	119.3	118.1
Farm products	Aug. 12	93.1	*93.6	95.4	93.0
Processed foods	Aug. 12	111.1	*111.9	112.7	106.8
Meats	Aug. 12	109.9	112.1	113.8	97.9
All commodities other than farm and foods	Aug. 12	126.0	126.1	125.7	125.6

*Revised figure. ¶Includes 1,021,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE INC.—Month of July:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	65,119	66,967	85,779
Shipments (tons of 2,000 pounds)	60,187	54,658	73,055
Stocks at end of period (tons)	257,911	252,979	146,179
COAL EXPORTS (BUREAU OF MINES)—Month of May:			
U. S. exports of Pennsylvania anthracite (net tons)	189,750	116,990	310,386
To North and Central America (net tons)	110,426	60,789	128,148
To Europe (net tons)	60,215	53,355	179,618
To Asia (net tons)	8,925	2,846	2,620
To South America (net tons)	9,774	------	------
Undesignated	410	------	------
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	34,320,000	30,480,000	39,319,000
Pennsylvania anthracite (net tons)	1,998,000	1,639,000	2,564,000
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	3,898,240	*3,837,040	6,631,807
Oven coke (net tons)	3,862,390	3,802,015	6,451,371
Beehive coke (net tons)	35,850	*35,025	180,436
Oven coke stock at end of month (net tons)	3,886,162	3,721,329	2,259,714
COPPER INSTITUTE—For month of June:			
Copper production in U. S. A.—			
Crude tons of 2,000 pounds)	82,076	*91,116	104,685
Refined (tons of 2,000 pounds)	107,474	115,978	134,270
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	100,296	78,631	101,993
Refined copper stocks at end of period (tons of 2,000 pounds)	244,421	253,463	165,549
COTTON GINNING (DEPT. OF COMMERCE):			
August 1 (running bales)	212,569	------	230,756
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1958 crop as of Aug. 1:			
Production 500-lb. gross bales	11,583,000	------	10,963,680
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100— Month of July:			
Adjusted for seasonal variation	140	133	138
Without seasonal adjustment	113	126	111
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of May (000's omitted)	44,707,315	45,263,167	45,353,450
Revenue from ultimate customers—month of May	$763,006,000	$776,596,000	$746,672,000
Number of ultimate customers at May 31	55,432,513	55,345,655	54,428,374
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of June:			
Contracts closed (tonnage)—estimated	286,798	224,308	247,152
Shipments (tonnage)—estimated	329,240	328,160	384,724
METAL PRICES (E. & M. J. QUOTATIONS)—July:			
Copper—			
Domestic refinery (per pound)	25.674c	24.689c	28.690c
Export refinery (per pound)	24.397c	23.670c	26.727c
††London, prompt (per long ton)	£199.815	£194.613	£217.549
††Three months, London (per long ton)	£200.582	£196.185	£219.587
Lead—			
Common, New York (per pound)	11.000c	11.224c	14.000c
Common, East St. Louis (per pound)	10.800c	11.024c	13.800c
††London, prompt (per long ton)	£71.484	£73.277	£90.614
††Three months, London (per long ton)	£72.959	£74.153	£91.247
Zinc, (per pound)—East St. Louis	10.000c	10.000c	10.005c
§§Zinc, prime Western, delivered (per pound)	10.500c	10.500c	10.505c
††Zinc, London, prompt (per long ton)	£63.598	£64.176	£75.152
††Zinc, London, three months (per long ton)	£64.274	£64.652	£73.745
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.625c	88.625c	90.280c
Silver, London (per ounce)	75.000d	75.274d	78.125d
Sterling Exchange (check)	$2.80398	$2.81111	$2.78783
Tin, New York Straits	94.957c	94.665c	96.538c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$230.038	$228.120	$254.308
¶Antimony, New York boxed	32.590c	32.590c	36.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	33.000c
Antimony (per pound), boxed Laredo	29.500c	29.500c	33.500c
Platinum, refined (per ounce)	$62.385	$67.000	$90.154
†Cadmium, refined (per pound)	$1.55000	$1.55000	$1.70000
‡Cadmium (per pound)	$1.55000	$1.55000	$1.70000
§Cadmium (per pound)	$1.55000	$1.55000	$1.70000
Cobalt, 97% grade (per pound—ounce—ton)	$2.00000	$2.00000	$2.00000
Aluminum, 99% grade ingot weighted average (per pound)	26.100c	26.100c	27.100c
Aluminum, 99% grade primary pig	24.000c	24.000c	25.000c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of July:			
Total number of vehicles	388,572	406,857	591,039
Number of passenger cars	321,245	337,564	495,918
Number of motor trucks	66,967	69,183	94,803
Number of motor coaches	360	110	318
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of June:			
Total operating revenues	$791,614,723	$758,937,768	$869,282,162
Total operating expenses	620,359,171	621,365,019	686,774,117
Taxes	78,583,076	69,384,212	86,977,138
Net railway operating income before charges	67,198,978	43,992,811	74,110,423
Net income after charges (estimated)	50,000,000	24,000,000	57,000,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of June:			
Passenger Tires (Number of)—			
Shipments	8,117,358	7,523,454	8,161,561
Production	7,305,754	6,715,002	7,461,763
Inventory	17,464,550	18,262,601	17,322,301
Truck and Bus Tires (Number of)—			
Shipments	1,113,247	979,646	1,148,356
Production	987,543	937,813	1,027,094
Inventory	3,455,867	3,571,441	3,460,995
Tractor-Implement Tires (Number of)—			
Shipments	334,286	309,532	278,717
Production	294,512	305,171	267,586
Inventory	657,058	692,742	695,514
Passenger Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,601,590	3,034,751	3,471,514
Production	3,476,034	3,529,984	3,025,157
Inventory	8,156,429	8,189,272	6,946,069
Tread Rubber (Camelback)—			
Shipments (pounds)	39,445,000	37,884,000	35,953,000
Production (pounds)	41,547,000	40,612,000	33,441,000
Inventory (pounds)	30,214,000	29,549,000	29,159,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Increase all stocks.

Uptrend in Guaranteed Bank Loans to Students

New York is the third state to adopt program for 114 guaranteeing commercial bank loans to students accepted by accredited colleges. Bank of New York is New York's first bank to participate.

Commercial bank credit is beginning to play a more important role in the financing of higher education.

By the time college classes commence this Fall, hundreds of students from New York State will have obtained low-cost bank loans under a new self-help student loan program initiated by the New York Higher Education Assistance Corporation.

This is an independent, non-profit organization created by the 1957 New York State Legislature. Its purpose is to foster higher education among promising students of New York State who, for financial reasons, might not otherwise continue their schooling beyond the high school level. It accomplishes this by giving a 100% guaranty to a bank loan for a student accepted by an accredited college. To operate the guaranty loan plan, the organization was granted an appropriation by the State of $425,000.

Bank of New York Is First Bank

Among New York State banks taking an active part in this student loan program is The Bank of New York. "We believe this is a sound program, and a bold answer to the problem of harnessing the talents of our young people," states Joseph A. Hannan, Jr., Vice-President in charge of the Bank's mid-town offices. "An alarming number of students in the upper half of their high school graduating classes do not go to college. This program offers an opportunity for the ambitious student to develop his best talent in the approved college and program he judges best, and to pay later, out of earnings in his chosen field." The Bank of New York, founded in 1784, is New York's first bank.

Under this program a student can borrow up to $500 for his freshman year, up to $750 in both his second and third years, and up to $1,000 in his fourth and graduate years. Monthly repayment of capital begins three months after graduation, and may normally be extended over a six-year period. The interest is 4%.

In operation now for only a few months, the New York Higher Education Assistance Corporation reports that as of the end of July, a total of 126 commercial banks in 207 communities throughout the State are participating in the student loan plan. The organization has thus far guaranteed 260 outstanding loans, totaling $141,456. A pickup in applications is expected between now and the start of the fall semester.

James A. Kennedy, Manager of the Personal Credit Department at the Fifth Avenue Bank office, reports that 27 loans aggregating $9,200 have been approved to date. The majority of these loans, he said, are for first year students, with boys outnumbering girls about two-to-one.

"There is no restriction on the student's choice of college or his field of study," Mr. Kennedy explained. "In our group of students the fields of major study range from engineering and pure science to home economics and medicine."

New York State Requirements

To qualify for a loan, a student must be a legal resident of New York State. He must be already in attendance or accepted for admittance in an accredited college and must furnish proof of financial need and scholastic ability. The student obtains a loan application blank from the college registrar and submits it to the appropriate college official for certification, after which he submits it to the NYHEAC through the bank of his choice for guarantee.

New York is the third state to adopt a student loan guaranty program. A Massachusetts Higher Education Assistance Fund has been in operation since the fall of 1956. On June 30 of this year, it announced it has guaranteed 2,000 bank loans for students, aggregating $900,000. In Maine a Higher Education Assistance Foundation has been operating since April of this year, and as of July 15 had guaranteed 16 loans totaling $7,067.

Massachusetts and Maine

The Massachusetts and Maine Funds were raised through private subscription by corporations and individuals. They guarantee loans only for the second, third and fourth years of college, limited to $500 a year. In both plans of the New England States the guarantee is limited to 80% of the loan.

Though created by the State, the New York Higher Education Assistance Corporation is administered by leading citizens and operated like any business under a program leading eventually to a growing, self-supporting loan fund.

Enabling legislation for similar student loan guaranty plans is reportedly under consideration in several states, including Connecticut, Illinois, New Jersey, Indiana and Pennsylvania.

Joins Holton, Hull

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Kenneth D. Mann has become associated with Holton, Hull & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. Mr. Mann was formerly with Morgan & Co.

With Mitchum, Jones

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—J. George Wiley is now with Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

Two With Paine, Webber

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Allen L. Walker and Meade F. White have become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Walker was previously with Hopkins, Harbach & Co. Mr. White was with Morgan & Co.

Cross With Hopkins, Harbach

(Special to The Financial Chronicle)

HEMET, Cal.—Phillip B. Cross, J. Glen Brubaker and James H. Welch have become associated with Hopkins, Harbach & Co., of Los Angeles. All were previously with the Hemit office of Evans, MacCormack & Co., of which Mr. Cross was Manager.

Joins Grant, Fontaine

(Special to The Financial Chronicle)

OAKLAND, Calif. — Lawrence G. Cappelli is now with Grant, Fontaine & Co., 360 Twenty-First Street. He was formerly with Stephenson, Leydecker & Co.

With I. I. Brooks

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Charles C. Miller is now connected with I. I. Brooks Securities Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange. He was previously with Reynolds & Co.

With S. G. Nielsen

(Special to The Financial Chronicle)

BURBANK, Calif. — Glen W. Duke is now with W. G. Nielsen Co., 362 East Olive Street. He was formerly with J. Logan & Co.

Kutner With Hill, Richards

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Henry Kutner has become associated with Hill, Richards & Co., 621 South Spring Street, members of the Pacific Coast Stock Exchange.

With Shearson, Hammill

(Special to The Financial Chronicle)

NEWPORT BEACH, Calif. — Robert B. Scott is now with Shearson, Hammill & Co., 3363 Via Lido. He was formerly with Merrill Lynch, Pierce, Fenner & Smith.

With Merrill Lynch

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Robert A. Kroenert is now with Merrill Lynch, Pierce, Fenner & Smith, 1003 Walnut Street.

Joins Midland Securities

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Floy A. Rowe has joined the staff of Midland Securities Co. Inc., 1016 Baltimore.

Three With Fusz-Schmelzle

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—John W. Carman, William A. Gerst and Harold E. Wolfe are now afifliated with Fusz-Schmelzle & Co., Inc., Boatmen's Bank Building, members of the New York and Midwest Stock Exchanges.

Joins Dean Witter & Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — James D. Veron has been added to the staff of Dean Witter & Co., Boatmen's Bank Building.

With McCarley & Co.

(Special to The Financial Chronicle)

ASHVILLE, N. C.—Edward W. Moran is now with McCarley & Company, Inc., 35 Page Avenue, members of the New York Stock Exchange.

R. S. Dickson Adds

(Special to The Financial Chronicle)

CHARLOTTE, N. C. — William E. Coxe has been added to the staff of R. S. Dickson & Company Inc., Wachovia Bank Building.

Morrison Adds to Staff

(Special to The Financial Chronicle)

CHARLOTTE, N. C. — Melvin Shapiro has been added to the staff of Morrison & Co., Liberty Life Building.

Joins Powell & Co.

(Special to The Financial Chronicle)

FAYETTEVILLE, N. C. — William D. B. Riley has joined the staff of Powell and Co. Inc., 120 Anderson Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is a chart at the Bureau of Public Roads that shows that road construction is one of the price bargains of the day. The price index shows that highway construction decreased 2% the first quarter of 1958 as compared with the last quarter of 1957, and that the cost of the second quarter of this year rose only 8/10ths of 1% above the first quarter. However, the increase in steel prices is expected to be the forerunner of higher prices in various materials that go into the road building program.

Regardless of the costs, however, the highway building program in the United States is being accelerated. Practically every state will increase its construction work during the coming year. More than a dozen will double their dollar expenditures, and several will triple their dollar outlay.

Engineering and obtaining of rights-of-way by the various states, which cost about 25% of the price of a highway, has been going on at a stepped up pace for the past two years, and things have begun to hum across the Nation.

Construction is under way on 3,267 miles of the multi-laned Interstate Highway System in this country at an estimated cost of $1.8 billion. Construction contracts have been completed since July 1, 1956, when the vast program was inaugurated, on 1,771 miles at a cost of $439 million. About $1.5 billion additionally has been spent or authorized for preliminary engineering and rights-of-way acquisition.

Advance Fund Allocation

It is highly important that the Federal aid highway funds be allocated as far in advance as possible in order to help the States properly plan their work schedules. For that reason the Bureau of Public Roads announced a few weeks ago the 1960 fiscal year apportionments of all Federal funds, totaling $3.4 billion. The funds ($2.5 billion for Interstate and $900 million for ABC roads) were the largest ever advocated in the history of road building in the World.

Thus it is apparent that the tremendous program the remainder of this fiscal year and next year will have a favorable impact on the highway materials industries.

The Executive Vice-President of the American Road Building Association, Louis W. Prentiss, declares that the highway industry, including such branches as manufacturers, producers of materials and services, and contractors have expanded their facilities to meet the requirements of the Interstate Program. He declares that the industry places its trust in a program of construction activity that will continue, without interruption, at a big level for another 10 years.

In terms of obligated funds, the program is rising right now toward the plateau that should be maintained for several years. The approach to the plateau is reflected in the annual step-up in fund obligations by the Federal and State governments. General Prentiss, who retired several years ago from the military service, maintains that if the program is to be completed on schedule, it will be necessary that the stepped-up tempo be maintained for at least the next decade.

Huge Cement Requirements

Officials at the Commerce Department believe that cement requirements for highways, which were about 60,000,000 barrels in 1955, will rise to about 110,000,000 barrels by 1961.

Meantime, the capacity of cement has continued to climb. By the end of 1955 the annual capacity of the industry was about 311,000,000 barrels. By 1957 it had climbed to 380,000,000 barrels, and by 1960 or 1961 the capacity of the industry will be approximately 400,000,000 barrels.

Therefore, as far as the Bureau of Public Roads is concerned, there is nothing in the picture indicating either a cement or steel procurement problem in the greatest highway construction program the world has ever known. On the other hand, there may be incidents where high transportation costs of the cement may evoke some headaches in some incidents.

There is more engineering research underway today involving cement, concrete, clay and lime and other road building materials than anytime in history. As a result roads of the future should be substantially better. The Bureau of Roads says various highway departments have continuing projects underway.

Practically all of the states have some type of highly technical research projects underway to determine the strength of the concretes. Other projects include road materials treated with lime, development of techniques for applying resinous materials for surfacing cement and concrete highways. Some highway departments, for instance, are concerned over the problem of pavement slipperiness, and are making progress in "skid resistance" surfaces.

Heavy Use of Lime

Highway construction still provides a smaller market for lime than any of the other major users such as steel, pulp and paper, chemicals, plaster and glass, but increased use of lime is already under way. The Bureau of Public Roads and highway officials say that the value of lime for stabilization is just beginning to be recognized and appreciated.

Therefore, officials say there is evidence there will be increased utilization of lime as an additive. General Prentiss says the greatest future use of lime in the highway program lies in the secondary road system. Of the 3,400,000 miles of roads, streets and highways in the United States 750,000 miles are in the Federal aid system and two-thirds of this mileage, or 500,000 miles make up the secondary system. In addition most states have thousands of miles of so called farm-to-market roads not in the Federal aid system.

Leasing Equipment

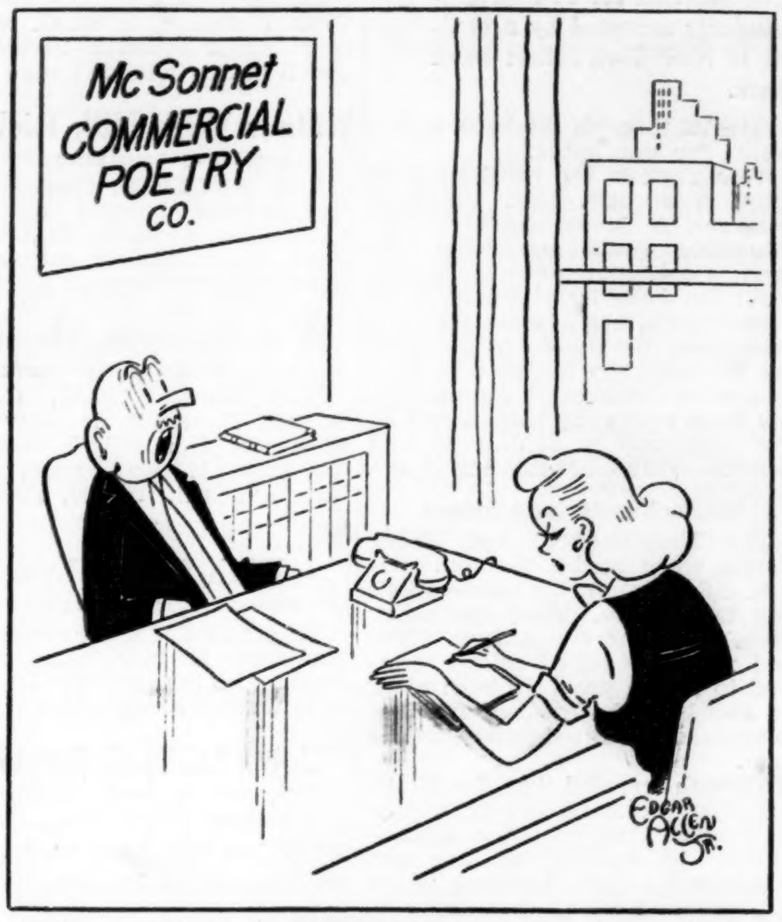
More and more highway contractors are leasing their machinery in their road building work. It takes substantial capital to undertake a sizable project these days. In this manner they do not have to borrow more money from their bankers. Leasing requires little or no downpayment.

Many contractors also like to try out machinery and equipment before making a purchase. There is also a certain tax benefit to many contractors. A number of contractors have appealed to the House Ways and Means Committee to do something about providing for what they call a more equitable depreciation of equipment.

Contractors insist that the present depreciation scheduled is outmoded and unfair. However, the Federal government permits contractors to deduct all leasing charges from their equipment dealers.

[*This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" owns views.*]

BUSINESS BUZZ



"Take a letter to MacRag Paper Company—'Roses are red, Violets are blue, Your paper is lousy, We're going to sue'!"

Excellent GI Loan Repayment Record

Results of national mortgage delinquency survey conducted by MBA cause bankers to praise excellent GI repayment record.

Veterans who have financed home purchases over the years with relatively small down-payments continue to make an excellent record of keeping their mortgage loans current, according to the national mortgage delinquency survey compiled by the Mortgage Bankers Association of America. For the first six months ended June 30, 1958, GI home loan delinquencies of three months or more only amounted to .34 of 1%, .42 of 1% for two months and 2.06% for one month. These delinquencies are only fractionally higher than at the same time a year ago, and can be considered an excellent showing in view of the declining business period which they cover.

The delinquency report covered 2,497,554 loans and total nation-wide delinquencies were reported as 54,798, or 2.19%. A year ago total delinquencies were 49,580, or 2.02%, based upon a total of 2,446,931 loans reporting in the survey. Of the total on June 30 this year, 45% were GI loans, 35% were FHA mortgages and 20% were conventional-type loans, those neither guaranteed nor insured by a Federal agency.

Delinquencies reported in the Federal Housing Administration mortgage field totaled .13 of 1% for the three months or more, .27 of 1% for two months and 1.43% for one month.

For conventional-type mortgages, delinquencies of three months or more totaled .16 of 1%, .25 of 1% for two months and only .99 of 1% for one month.

Business Man's Bookshelf

Analysis of Work Stoppages, 1957 —U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—30¢.

Anti Trust Policies — Simon N. Whitney — in two volumes — Twentieth Century Fund, 41 East 70th Street, New York 21, N. Y.—$10.

Cruelest Tax — T. V. Houser — Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y. (paper); 50¢.

Defense Against Inflation: Policies for Price Stability in a Growing Economy — Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y. (paper)); $1.

Digest of 100 Selected Pension Plans Under Collective Bargaining, Winter 1957-58—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—45¢.

New York University Program in Israel (in two parts)—New York University, 6 Washington Square, North, New York 3, N. Y. (paper).

1958 Market Guide for the Pacific Area (7th postwar Edition) — American Foreign Credit Underwriters Corp., 253 Broadway, New York 7, N. Y.—Details on request from publisher.

1957 Loss and Expense Ratios—New York Insurance Department, 324 State Street, Albany 10, N. Y. (paper).

Paid Vacation Provisions in Major Union Contracts, 1957 — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—30¢.

Role of the United States in World Affairs — Department of State Publication 6669—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper); 25¢.

Shipping Outlook — Discussing economic role of American Flag shipping—Committee of American Steamship Lines, 1000 Connecticut Avenue, Washington 6, D. C.

U. S. Industrial Relations: The Next 20 Years—Edited by Dr. Jack Stieber — Michigan State University Press, East Lansing, Mich.

Use of a Currency of Account in International Loans — Fernand Collin — International Institute for Banking Studies, Secretariat General, 119 Coolsingel, Rotterdam, The Netherlands (paper).

You and Your Bank (Your Bank is a Financial Department Store) —Channing L. Bete Co., Inc., Greenfield, Mass. (paper); 25¢.